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No. 2183

Polish Government Report on State of Economy



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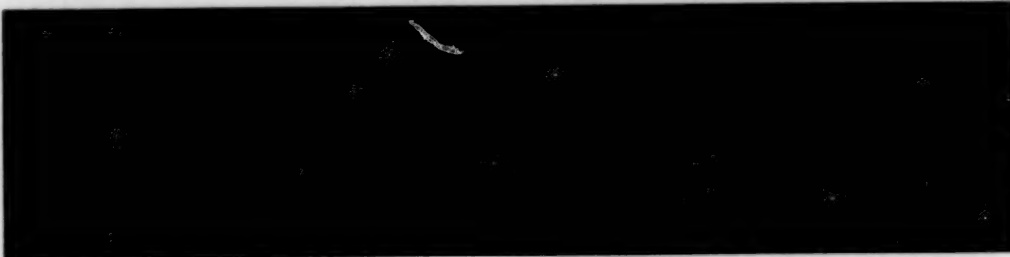
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POLISH GOVERNMENT REPORT ON STATE OF ECONOMY

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[Text] Introduction

1. The government submits to the Diet and the nation the "Government Report on the State of the Economy." The earlier version of this report had been criticized by the Diet's Commission for the Economic Plan, Budget and Finances as well as by the mass media. In view of the validity of most of the critical comments, the chairman of the Council of Ministers recommended redrafting the report. This task was entrusted to the chairman of the Planning Commission under the Council of Ministers, H. Kisiel.

At the same time the Council of Ministers appointed an advisory council consisting of:

Czeslaw Bobrowski, chairman

Stalislav Albinowski

Wladyslaw Baka

Leopold Gluck

Jozef Pajestka

Josef Soldaczuk

The advisory council, in its capacity as a public group, drafted its opinion completely independently of government organs.

The report also incorporates comments by Department I of Social Sciences, Polish Academy of Sciences, drafted under the chairmanship of Wladyslaw Markiewicz.

2. The report consists of two parts. Part I, containing a general assessment of the state of the economy and the causes of the crisis, was completely rewritten from the analytic standpoint. Part II, containing detailed assessments, was drafted on the basis of data in the earlier version, which were integrated in accord with part I as illustrations and documentation of the general theses. Part II contains fewer appraisals and is largely of a descriptive nature.

The report's authors were instructed to focus on identifying the mechanisms that led to the present crisis. This is of fundamental importance to averting possible recurrence of similar mechanisms.

3. The theses in part I of this report were drafted with allowance for discussions of the advisory team, on incorporating proposals made by certain of the team's members. The team unanimously approved the theses in this part, believing that they represent a judicious and detailed study that, above all, is free of ambiguity.

Regarding part II, the response of the team was not as complete, since it did not feel competent with all the problems considered, and chiefly because it was not part of its task to collaborate in the description of facts and preparation of figures. Of course, the team did make various comments in this connection and it does not raise any formal objections to the text of part II.

4. The team suggested that the report be complemented with five proposals drafted in connection with the work on the report.

The problems relating to the state of the economy and the sources of that state are so varied that they cannot be exhaustively treated in a single document. Moreover, without contesting the merit of this document, particular problems may be treated somewhat differently. The proposals drafted do not conflict with the report; they add to the material on which the Diet can base its assessment of the state of the economy and of the causes of that state. The proposals in question hardly encompass all the problems considered in part I of the report, but at the same time they transcend some of these problems.

5. No report can answer all the questions, and thus this report cannot meet all of the public's expectations regarding the numerous, varied and complex relevant problems. Hence, the publication of this report is to be regarded as an element of the work to shape the public's awareness of the state and problems of our economy.

6. The public expectations that this report does not and cannot satisfy include the pinpointing of responsibility for mistakes made in socioeconomic policies as well as for distortions and deformations in the system of the management and administration of the economy and the state. Such identification belongs within the scope of competence of the concerned state and party authorities.

7. The government expects this report to be discussed publicly. As relevant comments and doubts crystallize and advanced sector analyses appear, the government will make the proper responses.

8. The critical evaluation of socioeconomic policies and of the operating system of the economy contained in the report is in principle confined to the 1971-1980 period, although various problems that remained unsolved during that period had emerged even earlier. The successive stages in the economic history of the Polish People's Republic have been marked by both continuity of major accomplishments and continuity of growth of certain disproportions and difficulties that periodically overshadowed these accomplishments and engendered major tensions and crises. At present, for the first time, these tensions and crises have become so prominent as to restrict the range of choices and solutions.

It is essential to make the public aware that--regardless of the great accomplishments of People's Poland--certain problems must be solved currently and will require many years of intense labor; these problems and difficulties ensue from adverse processes in the evolution of the structure of our economy over a period much longer than the 1970's.

9. The problems arising earlier have been particularly acutely compounded during the 1970's by new mistakes and difficulties. These occurred on a scale and in forms previously unknown in this country. This concerns chiefly the size and structure of foreign indebtedness, the extent of the dependence on imports from capitalist countries, the far-reaching deformation of the socioeconomic planning system, and the unraveling of the system of management.

System distortions will be eliminated in the course of implementation of the economic reform, which should result in activating an efficient economic mechanism intended to assure a maximally effective economic performance to meet goals accepted by the socialist society. At the same time, it is even more urgent to halt the declining trends prevalent for the last 2 years, to master the present deep and dangerous crisis and to place the economy on the rails of balanced development.

10. The depth and extent of the difficulties facing us are illustrated by the consideration that, in order to emerge from the crisis, we must surmount not only the various market-dependent problems but also structural perturbations due to:

--the persistent trends, present in our socioeconomic policies for many years, that shaped irrationally and unfavorably the structure of our economy;

--the specific mistakes of socioeconomic policy for 1971 to 1980;

--the abandonment of plans for the modernization of the operating system of the economy and state, that were announced after December 1970, due to a critical appraisal of the previous period.

Part 1. General Assessment of the State of the Economy at the Threshold of the 1980's and Its Causes

/A. Symptoms of the Present Crisis/

1. On the threshold of the 1980's, Poland's economy found itself in a state of deep crisis. Its most prominent manifestations are the decline in material production, the decline in the utilization of fixed assets and the decline in labor productivity and discipline as well as in the general effectiveness of management.

As a result, for the first time in People's Poland, generated national income has declined (table 1). Altogether, in the last 2 years (1979-1980), generated national income has decreased by more than 7 percent, with about one-third of that decrease due to the decline in agricultural output. Despite the reduction in the size of investments in 1981, a tangible decrease in consumption can no longer be avoided.

Poland's economy is in a state of deep economic imbalance due to disproportions:

--between the purchasing power of the population and the supply of goods and services;

--in the balance of trade and payments;

--in the production apparatus of industry and in materials supply;

--in investments;

--in the financial balance sheet and the state budget.

The economic crisis is all the more menacing because it exacerbates the social and political tensions that, in turn, also negatively affect the economic situation and additionally restrict the effectiveness of centralized direction of the course of economic processes, which is already reduced by the crisis effects.

2. The situation on the domestic market in 1981 is that of an extensive undersupply of goods and services in relation to current personal monetary income. The scale of that undersupply or so-called "inflationary gap" this year is estimated at about 470 billion zlotys, which is about 25 percent of net monetary income; that is, after deducting taxes, fees and other mandatory payments.

Already in previous years part of personal monetary income had not been spent and was saved instead, solely due to the absence of goods and services (so-called deferred demand). It is estimated that the overall surplus purchasing power of the population in relation to the available supply of goods and services, plus the deferred demand from earlier years--that is, the so-called "inflationary curve"--will become extremely high this year. Estimates of that curve may differ markedly, depending on the premises adopted. The present estimates of the inflationary curve in 1981 range within 600-800 billion zlotys; that is, more than one-third of the annual personal monetary income of the population. This curve is chiefly due to the last 10 months.

In the fourth quarter of last year a complete collapse of the market situation occurred with the disappearance of various goods from the market and the gradual broadening of the scope of shortages to more and more necessities of everyday life. This phenomenon is accompanied by the tendency--normal in the absence of continued supply--to buy up any oversupply of market goods and hoard it in private households. Manifestations of speculation and "black market" also are growing. The maintenance of a universal--even if in some aspects unsatisfactory--supply of staple foods to the population is possible only because of the introduction of rationing, which still requires revision and refinement.

A factor that caused or at least fundamentally hastened the collapse of the market equilibrium was the decision to raise wages and increase social services, adopted in the second half of last year because of strikes and poststrike agreements. These decisions were taken for sociopolitical reasons, and they were a factor in the

maintenance of public peace last fall. These decisions resulted in increasing the monetary income of the population by about 140 billion zlotys annually--without a parallel increase in the supply of goods and services. While the reasons behind these decisions can be appreciated fully, from the economic point of view they have markedly aggravated the market difficulties. In practice, these difficulties were still further increased by the steady decline in industrial output--including output and deliveries for the market--that had started in August last year, as well as, to some extent, by the shortening of the weekly number of hours of work this year. Procurements of most agricultural produce also have markedly declined, due to the catastrophic harvest last year. In the three quarters from July 1980 until May 1981 industrial output was about 130 billion zlotys lower than a year ago; the output of consumer goods alone was about 40 billion zlotys lower. At the same time the personal monetary income of the population increased by about 140 billion zlotys.

A characteristic feature of the present market situation is the steady decline of consumer trade inventories. These inventories amounted to 254 billion zlotys toward the end of the first quarter of this year; that is, nearly 3 percent less than at the end of 1980 and nearly 7 percent less than at the end of 1979. Compared to the rapidly growing monetary income of the population, they were about one-third lower at the end of the first quarter of this year than at the end of 1979. The inventories of many types of goods are so low that continuity of sales cannot be maintained.

The monetary resources of the population at the end of April 1981 amounted to 861 billion zlotys--about 274 billion zlotys in cash and about 587 billion zlotys in bank deposits. Nearly one-half of these deposits are payable on demand. An estimated one-half of the cash resources has piled up due to the impossibility of satisfying demand. A large part of these resources would be immediately committed to the domestic market if there were goods for sale. Thus, this so-called hot money exerts additional pressure on the market and on the rise in prices.

The indexes of the rise in prices and in the cost of living are calculated without allowance for the shortage of consumer goods and hence are no longer reliable. In 1980 these indices rose about 9 percent, which does not reflect the actual situation. The high inflation rate adds to anxiety about the consumer market and detracts from the motivation to work; it has also been a factor in the demands for wage raises.

The adverse effects of the improper level and structure of retail prices--which, after the experiences of 1976, [the authorities] lacked the courage to revise--are becoming fully tangible. The defective price structure aggravates the weaknesses of the present market situation. It orients demand toward goods that are in particularly short supply, does not contribute to increasing their output and is counterproductive to tendencies to save on consumption.

3. A deep imbalance also characterizes the situation in foreign trade and in the balance of payments, especially with the capitalist countries.

At the end of 1980 our indebtedness for long- and medium-term credits was about \$23 billion; toward the end of April, about \$24 billion, plus about \$1.5 billion in

short-term credits. By the end of 1980 the indebtedness level was about three and one-half times as high as the value of the exports to these countries last year. At the same time the amount of the loan repayments due this year (installment payments plus interest on loans) exceeded the value of the entire year's exports to these countries. Due to unfavorable changes in the indebtedness structure, the average loan repayment period has in recent years become dangerously shortened, amounting at present to about 3 years compared with some 6 years as recently as 5 years ago.

Such a difficult payments situation has necessitated allocating practically all foreign-exchange revenues from exports for the repayment of loan obligations and, as a consequence, made imports for current needs of the economy dependent on the procurement of new loans. In view of the high level of indebtedness, it has become increasingly difficult to obtain new loans, which in recent months has led to growing difficulties in the repayment of current loans and implementation of imports.

These difficulties, and especially the shortage of the foreign currencies needed to import many goods purchased in international trade for cash as well as to make advance payments in purchases on credit, have been greatly compounded by the decline in the exports of coal, copper and silver in the last 10 months, due to the decline in the output of these raw materials, as well as by the decline in exports of products of other industries.

During the first 4 months of this year exports to capitalist countries were about three-fourths as high as during a like period last year. This has markedly restricted current foreign-exchange revenues. The lack of foreign currencies has resulted in--starting last March--a nearly total cessation of imports for supply purposes, which entails far-reaching production losses in many industrial plants. Often the impossibility of importing even minor components prevents the completion of final production that is of much greater value. Similarly, considerable production losses are incurred due to the restrictions of imports of spare parts.

To regain the ability to continue imports on the necessary scale, during the last quarter of last year negotiations were undertaken with our creditors concerning postponement of part of the repayments to more convenient target dates. These negotiations already produced some results and are being continued. However, even partially renegotiated debt repayment periods, as well as continuing negotiations with creditors for further postponements, still will not be enough to restore the ability to import on the desired scale.

The shortfall of hard-currency funds for the imports needed to maintain industrial output on last year's level is estimated at present at \$2.5-\$3 billion for the current year.

Poland's trade with the socialist countries has been balanced for most of the 1970's. Only at the end of that decade did Poland contract indebtedness toward these countries, especially toward the USSR. That indebtedness amounts to about 1.5 billion transferrable rubles. It is due partly to the additional deliveries of raw materials and consumer goods obtained from these countries during the last 10 months, representing assistance to alleviate our difficulties, and partly to recent problems in implementing our export obligations, that our position as a trustworthy partner in CEMA is threatened.

In addition to the aid from the USSR and other CEMA countries in the form of additional deliveries on credit terms, this year we obtained from the USSR nonrefundable aid valued at nearly \$500 million.

4. The deep disproportions in the productive capacities of industry and in their utilization, as well as the import difficulties, have resulted in an imbalance of material supply of the economy, and especially of industry.

Particularly acute is the shortage of coal, which is a major factor in the incomplete utilization of productive capacities in other subsectors of industry. This year the estimated shortage of industrial coal may reach 12 to 15 million tons; that is, about 10 to 12 percent of the actual consumption of coal by industry (irrespective of the shortage of coal for exports). This is causing a marked decline in the production of coal- and energy-intensive products, especially in the cement industry and other subsectors of the construction materials industry, as well as in the chemical industry. Coal stocks in many electric power plants have fallen to a critical level.

The decline in the output of coal and other domestic minerals has been largely due to the shortening of the work hours in coal mining and other extractive industries. During the first 4 months of 1981 coal extraction was about 55 million tons compared with 69 million in a like period last year; that is, about 20 percent less. For the year as a whole coal extraction may be about 40 million tons lower than during the peak year of 1979.

The shortages of domestic and imported raw materials disturb production continuity and coproduction ties and, through a chain effect, result in a growing decline of output in plants linked by coproduction ties. This is reducing the degree of utilization of productive capacities. The incomplete utilization of these capacities is also due to the disproportions in the production potential of the individual plants, subsectors and branches of the economy that are interlinked by supply and coproduction ties.

Acute difficulties have been caused in recent years by shortages of electric power generation. During the fall-winter peak period in 1980 the shortfall amounted to about 4,000 MW or about 16 percent of the total installed capacity of electric power plants. The difference between installed capacity and available power in December 1980 was about 5,500 MW, which means that more than one-fifth of all installed capacity was inactive, largely due to a high failure rate of the equipment of electric power plants, which in turn was due partly to the unsatisfactory quality of coal and partly to deficiencies in operation and maintenance.

The utilization of the productive capacity of many plants is excessively dependent on imports of materials and coproduction elements. This especially concerns chemicals. In the machine-building industry, the output of coproduction elements is inadequately developed in comparison with the capacity for final production, while the output of many kinds of spare parts lags behind operating needs. The shortage of spare parts, storage batteries and tires has rendered unusable about one-fifth of the available automotive fleet and agricultural tractors. The shortage of storage batteries and tires cannot be readily and rapidly surmounted.

Supply problems also arise periodically due to inadequacy of transport; that is, the disproportion between the demand for transport services, especially in domestic transport, and the carrying capacity and operating efficiency of that branch of transport. This is due to underinvestment in transportation, neglect of the development and modernization of the [railroad] network repair and maintenance facilities, as well as of railroad rolling stock, and also the excessive transport-intensiveness of the economy, ensuing from both its structure and localization of production and the restrictions on the use of particular means of transportation, introduced due to the emerging transport problems. The current alleviation of this disproportion is due to the temporary decline in production and hence also in the demand for transport. As production increases, these transport difficulties may reappear.

The decline in the level of output at many plants, especially at those operating on a continuous or multishift basis, as well as in the extractive industry, is due not only to supply problems but also to the decline in the productivity and discipline of labor as well as to strikes. During the first quarter of this year the time lost due to unexcused absenteeism increased by nearly 90 percent compared with a like period last year.

5. Investment activity is marked by a sharp and growing disproportion between the funds needed to continue and--in accordance with the implementation cycles--complete the construction of the initiated investment projects, and the possibilities for implementing these projects as based on the available implementation potential, material resources and investment capacities of the economy, given the actual level of national income. The national economy is considerably committed to already initiated investment projects that, given the country's economic situation, cannot be continued and completed in the near future.

At the end of 1980 the funds expended on uncompleted investment projects that have not as yet been put to productive or other serviceable use amounted to about 800 billion zlotys. Of this, 60 billion was spent on procurements of machinery and equipment standing on construction sites without being put to use, due to the insufficient advancement of construction and installation operations. The completion of these projects would have required additional outlays of about 1,300,000,000 zlotys. That would be the equivalent of 4 years of outlays on investment projects throughout the national economy and, given the particularly large number of projects initiated in industry, their completion would have required some 5 years--and that only on condition that no new investment construction projects be initiated during that period.

Given this situation, it was imperative at the end of 1980 to decide to discontinue the implementation of more than 1,000 investment projects, including 49 major projects, nearly all with an estimated cost of more than 3 billion zlotys each. The implementation of these decisions is being delayed by certain investors. Further restrictions may be considered. An inevitable consequence of such delays or of the neglect of certain investment projects inevitably is losses to the economy as well as additional cost relating to, among other things, the mothballing of discontinued projects.

Due to the past mistakes in investment policies, the structure of the initiated investment projects is unfavorable. It contains a large share of industrial projects designed to produce capital goods. Even if they were to be completed, most of these projects would be unusable in the near future, due to the supply problems and the reduced demand for capital goods.

Considerable adverse effects have been produced by the tendency to build projects on an excessively large scale, without economic justification, resulting in excessively high operating costs or complex organizational problems.

The intensive construction of huge projects in the 1970's absorbed such considerable funds and resources that it limited the scope of modernization projects and repairs. As a consequence, in many cases the technical condition of the active production facilities has deteriorated, and fixed assets have undergone depreciation.

6. In recent years the financial imbalance of the state has worsened due to the rapid increase in state budget expenditures in relation to the rise in revenues. This condition is primarily due to the deterioration of management efficiency at enterprises. Due to the failure to reduce production cost, or even to a rise in that cost, financial accumulation at enterprises--which represents the principal source of revenues for financing budget outlays--has been decreasing. It fell from about 468 billion zlotys in 1978 to about 296 billion last year; that is, by about 36 percent.

Against the background of an insufficient increase in budget revenues, a budget deficit of 26 billion zlotys has arisen in 1980, for the first time since 1949. The 1981 budget envisaged a deficit of about 120 billion zlotys. Even now, however, after the first few months of 1981, a shortfall in budget revenues can be expected, and budget expenditures will be higher than originally envisaged, due to, among other things, the unexpectedly rapid increase in wages, social services and certain sociocultural outlays. Thus, the financing of even justified claims and postulates is causing a further acceleration of inflationary processes, because it is not sufficiently offset by revenues.

7. The nation's economic situation has been steadily worsening since 1974. It entered the crisis stage in 1979, as expressed in the decline of national income and of most of the economic indicators. During 1980 and in the first few months of 1981, this crisis intensified and became particularly acute. This raises the question of the causes of such a far-reaching and sudden collapse of the economy.

That collapse resulted from processes that continued over the greater part of the 1970's. Toward the end of the first 5-year period [i.e., first half of the 1970's] subsector problems arose in the economy--problems that could be surmounted only if their causes were tackled and economic policies revised. No such revision took place, however, and combatting negative phenomena by emergency measures that did not reach the root causes of these problems but merely alleviated their consequences, simply resulted in postponing the day of reckoning and at the same time broadening the scope and increasing the scale of these problems.

In 1980 these difficulties (growth of inflation, accumulation of due loan repayments and interest payments, worsening of supply shortages and production disproportions) reached such a scale and potentiated each other's effects to such an extent that a

sudden worsening of the crisis became unavoidable. An additional adverse factor was the collapse of agricultural production in 1980 due to weather conditions in that year. Adverse economic effects in the short run are being produced by the actual sociopolitical processes that initiated the surmounting of distortions in political and economic life. The cumulative effect of these factors has led to a fundamental worsening of the situation, on a scale unanticipated by a large part of the public, a scale that was, however, an unavoidable consequence of the effect of so many negative factors.

/B. Causes of the Present Crisis/

8. The present critical state of the Polish economy is due to a complex totality of causes whose concurrent effect has potentiated the scale of that crisis.

In a socialist economy there is a particularly strong connection among the mechanisms of action of the economy, the economic policies and the mechanisms of political life. In the 1970's deviations from the principles of democratic centralism in Poland, in the functioning of political institutions and in the methods of exercise of power, as well as deviations from the principles of socialist planned economy, created conditions in which economic decisions that added up to an incoherent and erroneous economic policy could be taken at various levels, especially at the central level, in an arbitrary and incompetent manner.

At the same time, the contradictions between the propagated thesis of the leading role of the working class and the actual decrease of its influence on the activities of the state and economy have been growing more acute. There has been a similar exacerbation of contradictions between the officially stressed importance of the development of democracy and self-government and the arbitrary manner of the exercise of power; between the principle of public dialogue and participation, on the one hand, and arbitrariness and voluntarism, on the other; between the stress on freedom and importance of criticism, on the one hand, and its suppression, on the other; between the openness of political and economic life, on the one hand, and the restriction of access to information sources, on the other; between the acknowledged principles and the practice of cadre selection and promotion.

Such a climate made possible persistent and universal infringement of the economic laws of the socialist economy, which as a consequence has led to the deep crisis. The rise and course of that crisis have been directly and most strongly influenced by factors ensuing from economic policies and by deformations in the system of economic management.

/1. Causes Ensuing From Economic Policies/

9. Since the early 1970's the so-called "strategy of dynamic development" began to be implemented. Underlying that strategy was the desire to surmount the stagnation of the late 1960's by means of forceful investment policies that would be increasingly based on foreign credit funding. It was assumed that the borrowed foreign funds would achieve a far-reaching modernization of the economy, especially of industry. This in turn would enable increased exports on the scale needed to repay the contracted loans so as to make the burden relatively intangible to the economy and the nation.

The weakness of that strategy was excessive faith that an economy with limited adaptability to international market conditions, lacking a consistent export policy as well as motivation for expanding exports, could be geared in a short period of time to achieving an automatic increase in and competitiveness of our exports on the markets of the most highly developed capitalist countries--the countries from which the loans were obtained. It was also wrongly assumed that automatic repayment, as it were, of the contracted loans would be possible in a situation of a simultaneous strong increase in domestic demand for the very commodities that were to be exported.

It had not been realized, either, that the implementation of that strategy would need to be supported by measures to enhance markedly the ability of the economy to absorb new technologies and new investments on such a scale. Similarly, the need to establish well in advance a suitable coproduction base and to develop the production of new materials of appropriate quality before activating the production of more up-to-date products itself, was underestimated or even not understood. This has caused a growing dependence of the economy on material and coproduction imports that, in a period of payment difficulties, has led to the underutilization of a large part of the up-to-date production potential.

Similarly, the contradictions between the intended and, in the initial period until 1975, implemented simultaneous dynamic growth of investments and consumption were underestimated or even ignored.

The contradictions between the needs to increase exports and the increase in domestic demand due to the rapid increase in personal income and in the development of investments, were also underestimated and disregarded.

Likewise, the contradictions between the policy of stabilizing prices and the cost of living, on the one hand, and the objective operation of economic laws, on the other, were not understood. Given the more rapid increase in demand than in supply, such a situation must lead to an intensification of inflationary processes, as reflected in the rise of the prices not under central control and in the rise and growth of shortages of consumer goods and, as a consequence, disorganization of the market.

Similarly, proper conclusions failed to be drawn from the many weaknesses already besetting the economy in the 1960's, such as overemployment in industry and construction, underdevelopment of export specializations, the declining productivity of fixed assets and the excessively weak development of the social infrastructure, unfavorable to the solution of essential problems of living conditions of the population.

10. It was an objective necessity of the economy in the 1970's to implement a strategy of intense development, based on the endeavor to increase labor productivity and management efficiency and, hence, to achieve an increasingly more efficient utilization of means of production. In reality, however, the strategy of dynamic development was carried out by means of large investment outlays and a large increase in employment; that is, the growth that took place was extensive [rather than intensive].

While the thesis of harmonious development was officially proclaimed, in reality large-scale investment programs were forcibly pushed through, especially in the industry of means of production [capital goods], while at the same time the development of the production of consumer goods and of social and cultural facilities was neglected, to the detriment of harmonious development.

The internal contradictions inherent in the economic policies of the 1970's began to manifest themselves increasingly as time went on, especially beginning in 1974, the more so as the then political and economic leaders were unwilling to draw conclusions from the increasingly clearer economic phenomena and processes, as well as from the warning signals and from the deterioration of external conditions. Instead, they stubbornly pursued adopted policy even under changed conditions.

11. But, apart from the foregoing explanation, it is still necessary to answer the basic question, Why did not the huge foreign loans produce the expected results and, instead of improving the state of the economy, why did they lead it to its deepest crisis?

The fundamental cause was the improper utilization of these funds; that is, their allocation for purposes that, under contemporary conditions, could not produce the desired results such as, especially, a commensurately rapid rise in exports.

Such an investment policy, based on the improper utilization of borrowed funds, contributed still further to the process of the evolution of an already flawed and ineffective structure of the economy and particularly of the unfavorable structure of industry.

In industry, due to lobbying by strong pressure groups, chiefly those representing heavy industry, and especially the metallurgical industry and various branches of the machine-building industry, the greater part of investment resources and a large part of hard-currency funds were allocated to the development of these branches. In view of the concurrent low degree of development of the more modern industries in Poland, the allocation of such huge resources to the expansion of heavy industry could be accomplished only at the expense of hobbling the development of the more modern industries, which further worsened the structure of the economy.

In the 1970's huge funds--more than 200 billion zlotys--were invested in the expansion of coal mining. At the same time, no advances in an efficient and thrifty consumption of coal in this country were secured; this has led to an increase in domestic consumption of coal and weakened the stability of coal exports. The exports of coal reached their maximum level of about 41 million tons in 1979, but they dropped drastically after the abandonment of excessively extensive forms of mining and the shortening of working hours at the end of 1980. In the first 4 months of this year coal exports totaled a little less than 4 million tons--or about one-third as much as in a like period last year.

In the 1970's--contrary to the opinion of many Polish experts, as well as of Soviet experts--the construction of the Katowice Iron and Steel Plant was started; subsequently the originally more modest scope of that project was markedly expanded. The outlays on implementing this project have so far totaled about 175 billion zlotys, yielding in return an increase in production potential that so far is limited to medium and heavy rolled sections, chiefly for the needs of investment processes, despite the growing keen shortage of quality products needed by the

more modern branches of the machine-building industry. Huge surpluses of simple metallurgical products exist on the world metallurgical market. This is detrimental to an increase in profitable exports of these products and forces us to export them at low prices, while at the same time we must import more sophisticated metallurgical products at prices that are three or four times as high.

Substantial investment funds have also been allocated to developing the automotive industry. They have produced positive results chiefly on the domestic market. But satisfactory results with exports could not be achieved in view of competition from such world market powers as the United States, Japan, the FRG, Italy or France.

As a result, forcing through the exports of automobiles whose quality and technological level were not competitive with those produced by other countries, could not and did not produce satisfactory results. Similarly, substantial outlays have been made to start and develop the production of color television sets. This is in line with the ambitions of the machine-building industry itself but is not in line with the more urgent social needs or even conflicts with these needs, since no steps were taken to assure a concurrent adequate increase in the production of pharmaceuticals, household chemicals or building materials for housing construction.

The investment of huge funds in the traditional branches of mining and heavy industry--that is, branches of decreasing importance to world industry--has by the same token resulted in still greater neglect of the development of the power industry, chemical industry, various industries using domestic raw materials, and industries operating for consumer and export needs. In the 1970's the necessary steps to establish industries specializing in production for export were not taken.

As a consequence of such an investment policy, the structure of Polish industry in 1980 is less effective than it was in 1970, from the standpoint of the feasibility of the satisfaction of needs, utilization of domestic raw materials and efficiency.

Especially to be condemned is the failure to invest in projects to reduce the extremely high energy- and material-intensiveness of our economy, while at the same time allocating sizable funds for the construction of new productive capacities in the power industry, raw materials branches and other highly energy- and material-intensive industries. At the same time, in many subsectors and branches of industry such as coal mining, the metallurgical industry and the cement industry, the emphasis on quantitative results led to the neglect of appropriate quality, which reduced the economic effects. For example, the worsening of the quality of coal has led to a critical decline in the efficiency of the nation's power industry and to tremendous losses of production.

12. The increase in the faulty structure of industry has been accompanied by similar processes in other fields of the economy.

Major mistakes, in particular, have been made regarding agricultural policy. Despite the declarative support for the development of agriculture, stagnation and even regression of the deliveries of the basic means of production, decisive to the productivity of land, have set in since 1976, due to the improper shaping of the production structure of industry. The resulting difficulties were compounded by

the violation of the principle of equality of access to scarce means of production. As a result private farms were able to acquire a much smaller share of these means of production than warranted from their share in the aggregate final output of agriculture.

Between 1975 and 1980 there occurred a decrease in the deliveries to and use of mineral fertilizers, plant protectants and building materials on peasant [private] farms. During the implementation of the policy of accelerating the development of state farms, since 1975 insufficient attention was paid to the high production cost, due to, among other factors, mismanagement on various state farms. A manifestation of that policy was the drastic restriction, during the 1974-1976 period, of sale of land—that most valuable means of production—to peasant farms.

The delays in raising procurement prices (until the declining trend of production fully manifested itself) and the maintenance of retail food prices in socialized trade at a level much below the procurement prices and production cost undermined the profitability of production throughout agriculture. This led, in particular, to the underutilization of the productive capacities of small peasant farms on which, as a rule, the labor force reserves are the greatest.

The process of the withdrawal of an overwhelming majority of these farms from animal production for their own needs was intensified by the restrictions on the sales of feeds from state stocks. As a consequence, these farms switched to procuring animal products through purchases from socialized trade, which, in turn, fundamentally worsened the situation of urban consumers. Also detrimental to production were the marked obstacles to the access of private farms to means of production, due to supply shortages.

The shortage of the means of agricultural production has been accompanied by the bureaucratization of the state and cooperative apparatus of trade middlemen in the countryside and by the development of a distribution system that was not based on socially recognized criteria. This had become possible due to the considerable weakening or even absence of authentic rural self-government.

The undermining of the developmental prospects of private farming and of the profitability of agricultural production led to an excessive migration of rural—especially male—youth to the cities, which adversely affected agricultural production and compounded the housing and communal problems in many cities. The migration to the cities was also prompted by the absence of sufficient concern for the urbanist and cultural progress of the countryside.

Attempts were made to counteract the decline in animal husbandry on private farms by forcing an increase in that husbandry on socialized farms without regard to cost effectiveness—among others, on large state livestock farms with high production costs and highly feed-intensive livestock maintenance.

An inevitable corollary was the decrease in the consumption of farm feeds and the increase in imports of grain and feeds, as well as the commitment of substantial investment outlays to the construction of livestock pens on socialized farms, while at the same time the livestock pens on private farms were unutilized.

The economic performance of most state farms worsened, especially in the last 5 years. This was due to the implementation of the costly concept of promoting the marketability of the products of these farms, especially regarding animal husbandry, and by the marked expansion of arable lands on these farms without regard to cost. Acute manifestations of uneconomical management appeared in the agricultural-circle cooperatives, whose operating principles often were distorted in practice.

Irrespective of the positive results achieved by some of the farms, the huge investment funds totaling more than 500 billion zlotys throughout the 1970's that had been allocated to the development of socialized farms did not produce the expected results, often due to their inefficient utilization.

Another costly form of promoting the marketability of agricultural output was fostering the development of the so-called specialized farms through huge financial and material assistance by the state. Despite the fragmentary benefits to production, this contributed to the shortage of the means of production among the majority of private farms, since the available resources were excessively concentrated on a few specialized farms. Their owners, moreover, received income privileges that contributed to the social stratification of the countryside.

The mistakes in the policy of agricultural development caused the prolonged stagnation of agricultural output, which was compounded by the recurrent agriculturally unfavorable weather conditions over a number of years. At the same time there was an increase in the imports of farm produce, which represented another factor--in addition to the investment policies--responsible for the marked rise in indebtedness to capitalist countries. But while the indebtedness for investment purposes could be justified by allocating credits for developmental purposes that could result in production for export and hence also in repayment of loans, the outlays on the import of grain and feeds and the attendant indebtedness served current consumption needs. They were justified by the need to endure the period of unfavorable weather conditions, which was wrongly regarded as the principal cause of the stagnation in agricultural production.

During the 1971-1980 period the aggregate imports of grain and feeds amounted to approximately 61 million tons or about 33 percent of the aggregate domestic harvests of the four [major] grains (186 million tons). These imports cost about \$8.5 billion.

The decision to import such huge quantities of grain and feeds was one of the consequences of the policy of excessive--in relation to this country's economic possibilities--acceleration of the rise in the monetary income of the population, the more so since the rise in the purchasing power of the population took place in a period of stagnation of animal husbandry and growth of shortages on the meat market.

In 1976 an attempt was made to raise food prices in order to alter the structure of consumption and especially reduce the demand for meat. The failure to prepare the public to accept that raise, its insufficient justification and the compensation proposals that conflicted with the public's sense of justice, led to the failure of that attempt. In such a situation it was decided to maintain meat production

through imports of grain and feeds, on the premise that these would be temporary imports until the production results of agriculture improved. Although no such improvement took place and the stagnation proved to be persistent, the policy of importing grain and feeds was continued without regard to its cost to the economy as a whole. Essentially this represented living above one's means by relying on a rising foreign indebtedness.

13. The third mistaken direction of structural changes in the economy--in addition to promoting the development of ineffective types of production in heavy industry and agriculture--was the far-reaching restrictions on, and even largely liquidation of, small-scale industry despite its, as a rule, efficient performance.

It was a mistake, in particular, to carry out, nearly throughout the country, the takeover of plants of state local industry, as well as of certain larger plants of labor cooperatives, by key industry. In most cases this led to abandonment of the previous production destined for the consumer market by the small plants. Among other things, tangible damage was caused by the elimination of the production of various kinds of drugs previously manufactured in cooperative plants, as well as by the shutdown of a number of small, rural processing plants--especially those based on the use of local agricultural produce and local minerals (grain mills, meat-processing stores, dairies, brick kilns, etc.).

Contrary to official declarations, the development of handicrafts and small private plants and service establishments has been restricted for a number of years. This was reflected in inadequate supplies of raw and other materials by state sources and in the relatively high taxation of artisans employing workers and apprentices in their establishments. This led to a decline in the number of craft apprentices and an undersupply of artisan products and services. It was also unjustifiable and one-sided to orient the activities of small state, cooperative and private plants almost exclusively toward production destined directly for the market. This resulted in suppressing coproduction among large, medium and small plants despite the importance of such coproduction to modern industry.

14. The excessive increase in foreign indebtedness and the gradual shortening of the loan repayment period (due to changes in credit structure), as well as the rise in interest rates, have been causing, year after year, an increase in the burden of servicing foreign indebtedness; that is, in the loan repayment rates and interest due in the individual years. The growth of indebtedness, initially due to the increased imports of capital goods, later became increasingly due not to deficits in the balance of trade but to the increase in loan repayments and interest due. In 1977 the growth of indebtedness equaled the sum total of principal and interest due, while in subsequent years the burden of current servicing increased still more rapidly.

Due to the need to use export revenues to repay loan installments and interest due, the part of these revenues used to finance current imports has been steadily declining. Thus, in 1976, after the repayment of loan obligations, there remained for import needs only about 64 percent of the total revenues from exports of goods and services; already in 1977, only 44 percent; in 1978, about 39 percent; in 1979, about 25 percent; and in 1980, barely 18 percent. In such a situation the share of loans contracted to import goods needed to satisfy current production and

consumption needs has been increasing independently of the on-credit imports of capital goods serving the developmental needs of the economy. In addition to the on-credit imports of grain and feeds, since 1975 the maintenance of the necessary quantities of imports of raw and other materials for the current needs of industrial production has required, on a scale increasing from one year to another, contracting new short-term (2- or 3-year) loans at relatively high interest rates. Thus, the further growth in indebtedness has resulted not only from the excessively large amount of the loans contracted but also from their increasingly shorter periods of repayment and increasingly higher interest rates.

In the light of these factors, the process that led to the collapse of this country's economic equilibrium was as follows:

--the excessively large scale of investments has become the principal cause of excessive foreign indebtedness (initially due to imports of capital goods and later also due to materials-supply imports); at the same time the flawed structure of these investments [of capital goods] and the often infelicitous imports of technologies and their inefficient utilization prevented achieving the indispensable rise in production for export (and hence also for servicing the indebtedness) as well as for domestic market needs;

--the rapid rise in the scale of the servicing of foreign loans, due to the excessive indebtedness, has restricted the possibility of imports for current needs and hence also for production-supply needs; the large imports of grain and feeds acted in the same direction;

--the insufficient imports of raw and other materials and coproduction components caused supply shortages at industrial plants and hence also stoppages of production and a decline in output, which in turn resulted in the undersupply of coproducing plants and disintegration of coproduction ties;

--the decline in industrial output, and especially the decline in the output of coal and other raw materials that produced so many adverse consequences, has adversely affected the volume of exports and--in view of the concurrent rapid rise in the monetary income of the population--led to the collapse of the market situation.

16. The deep contradictions in the economic policies of the 1970's did not manifest themselves at once. During the first half of the 1970's, and especially during 1972-1973, economic development proceeded successfully, chiefly due to a particularly favorable concatenation of domestic and foreign circumstances. The abandonment of the policy of restraining the increase in the personal income of the population and in consumption, which had been exercised in the late 1960's, as well as the socio-political shock released new motivations. The favorable weather conditions from 1971-1973 contributed to a rise in agricultural output. The advantageous prices of Polish goods on foreign markets, the ease of purchasing fuels and raw materials at moderate prices and the ease of procuring foreign loans on favorable terms, contributed to the activation of the economy's foreign ties, which in turn facilitated the initiation of developmental projects.

As a result, an exceptionally high rate of growth in output and national income was achieved. At the same time there was a marked increase in consumption and, particularly, in real wages, which rose more rapidly from 1971 to 1975 than during the rest of the entire postwar period.

False conclusions were drawn from the real accomplishments of that period. The dangers entailed in the continuation of that policy--especially in view of the worsening of the external conditions of the development of our economy since 1973--were disregarded, despite the drastic jumps in the prices of the raw materials that we import, particularly crude petroleum, and despite the rise in inflationary processes and market depression in the capitalist countries. The favorable combination of circumstances from 1971 to 1973 was not understood, and neither was the subsequent unfavorable change in these circumstances. Instead, all accomplishments were ascribed to the effectiveness of the policies followed, so that attempts were made to continue these policies at any price, even though already in 1973 certain experts pointed to the emerging disproportions and tensions. At that time these disproportions and tensions were still so small that toward the end of 1973 and the beginning of 1974 it would still have sufficed to reduce the growth rate of investments, personal income and indebtedness without reducing their order of magnitude.

Yet, the additional decisions taken were intended to maintain the extremely high growth rate of investments. Moreover, already at the beginning of 1974 an accelerated program of wage raises began to be implemented, although that program was originally intended only for the second half of the 1970's. This was due to, among other things, a desire to demonstrate progress in the improvement of living standards and to carry out investment projects satisfying the aspirations of, among others, local authorities during the period of the 1st National Party Conference, the celebrations of the 30th anniversary of existence of the People's Republic of Poland and, in 1975, [the preparation for] the 7th PZPR [Polish United Workers Party] Congress.

As a consequence, 2 years later, at the end of 1975 and beginning of 1976, all the malaises that subsequently led to the present state of our economy had already manifested themselves.

In response to the growing manifestations of the negative effects of the policies in force, the so-called economic maneuver was attempted at the end of 1976. That maneuver provided for halting the rapid growth in investments, reducing their share in the division of national income, revising the structure of investments and production in favor of consumer goods, expanding exports and halting the growth of the nation's indebtedness. The maneuver was not, however, implemented. On the contrary, even, certain negative tendencies increased, which was to a sizable extent due to pressure by groups linked with various branches of industry and striving for the continuation of the great investment programs initiated in the first half of the 1970's.

17. At the same time, elements of arbitrariness and subjectivism in the management of the national economy intensified without heeding the economic laws and patterns and the realities of the nation's socioeconomic situation.

This was in particular reflected in the following phenomena:

--for a number of years both investments and population income were increased at a rate that was much more rapid than warranted by the possibilities ensuring from the generated national income;

the share of accumulation in national income was allowed to exceed markedly what is in many countries regarded as the maximum--30 percent--especially during the 1974-1976 period;

--the economically inevitable decision to raise the retail prices of foodstuffs in 1976 was suspended due to protests of the working class, because of the fundamental mistakes made in preparing that decision; at the same time, attempts were made to preserve the market equilibrium through concealed raises in prices of manufactured goods, which resulted in a steady deterioration of the price structure, year after year;

--in 1975 the boundary of 25 percent of the share of expenditures on debt servicing in relations to the value of annual revenues from exports was exceeded (in international financial relations that 25 percent limit is regarded universally as the maximum acceptable limit of the share of debt servicing); in subsequent years this share increased still further, reaching as much as 82 percent in 1980.

Thus, the conditions for the crisis originated as far back as 1973 and became particularly evident in 1976. At that period the already explicit adverse tendencies could still have been counteracted at the price of raising a still not large cost to society. However, the political and economic leadership followed the line of postponing the crisis at the cost of its worsening. This was possible only due to high foreign indebtedness.

The growing influx of credits obscured the real situation of the economy. The capital goods purchased on credit not only directly augmented the divisible national income but also made it possible to achieve a higher generated national income than possible without burdening the future with foreign indebtedness.

The policy of postponing the crisis had, however, to lead--after a certain period of time--to the general collapse of the economy. The first symptoms of that catastrophe appeared already during the severe winter of 1978-1979, and they deepened in 1980.

That collapse was reflected in the decline of national income for the first time in postwar Poland--by 7 percent altogether over 2 successive years. In 1980 generated national income fell to nearly the level of 1976 or, in per capita terms, nearly the level of 1975. The decline in national income was related to both the decline in material production and, to a large extent, the deterioration in management efficiency.

18. The tendency toward declining advances in management efficiency was manifest in this country as far back as the 1960's. It had been temporarily halted in the first half of the 1970's, but afterward it returned in stronger form. Since 1978 there was not only a decrease in the rate of progress but an absolute

decline in management efficiency. The incapacity of the economic leadership to conduct economic policies and determine economic mechanisms in a manner assuring a steady and rapid progress in management efficiency has resulted in stressing investments, incurring considerable indebtedness and markedly raising wages without relating them to labor productivity.

The inefficiency of management stemmed from faulty shaping of the structures of industry, mistakes in agricultural policy, the application of an economic mechanism that stressed a quantitative increase in output along with excessive consumption of energy and materials, the halting of innovative processes and a poor quality of production. Although a quantitative appraisal of the extent of inefficient management is--like other macroeconomic phenomena--a highly difficult matter, such a deep crisis could certainly have been avoided if the policy of improving management efficiency had been applied instead of merely paid lip service. This would, however, have long ago required entering the road of economic reforms as well as socio-institutional reforms assuring a genuine participation of society in the process of the adoption of the basic developmental decisions.

/2. Causes Ensuing From the Distortions of the Management System of the Economy/

19. The conduct of an economic policy burdened by major mistakes was possible over a number of years only in the presence of deep distortions in the economic decisionmaking system. Of these distortions, the fundamental one was the evolved practice of the adoption of many, even fundamental, strategic decisions by single individuals and on the basis of a limited variety of premises, even though such arbitrary decisionmaking has often been veiled by a semblance of collegiality of broader consultations, as well as by a semblance of utilization of professional experts--whose expertise was often not prepared thoroughly and was prepared only for the purpose of confirming an already adopted decision rather than serving as a basis for its adoption. Such a decisionmaking procedure was also related to the underdevelopment of the actual role of the representative bodies (the Diet, the people's councils, worker self-government), whose functions were reduced to the ratification of the already adopted decisions.

Other factors contributing to the flawed nature of the economic decisions thus adopted were the lack of competence among many decisionmakers at all levels, beginning from the highest down to the enterprise level--and the striving to orient decisions toward temporary advantages that often conflicted with economic effectiveness. For example, decisions were made to raise wages and increase social services regardless of whether there was the possibility of a commensurate increase in the supply of goods and services. The rationale for such decisions was that they would improve the public mood, although actually they led to a gradual worsening of the market situation. At the same time social practice has repeatedly shown that wage raises cannot relax social and political tensions. Many economic decisions were taken to satisfy the aspirations and demands of ministerial, regional and industrial-sector pressure groups, and even wholly from their point of view at that. In making such decisions, priority was often given to the propaganda aspect, without a thorough analysis of the soundness of the demands and the actual possibilities of the economy.

At the same time, in the 1970's the practice of forcing decisions through the creation of *faits accomplis* has become extremely widespread. Such *faits accomplis* included illegal initiation of investment projects, preliminary agreements for import contracts, etc. Particularly adverse effects were produced when ministries, associations, enterprises and local authorities undertook illegal investment projects that were officially contested but in many cases tolerated.

20. A factor that markedly contributed to the worsening of the economic situation was the operating system of the economy and state. Gradually, especially during the latter half of the 1970's, the contradiction between the achieved level of productive forces and the system of management increased more strongly. That system was not adapted to the growing level of qualifications and social consciousness of the working class and the entire nation, to the growing aspirations for an increasingly broader participation in the sociopolitical life of this country or to the requirements ensuring from increasingly more complicated economic inter-relationships.

The discord between the planning and management system and the achieved level of productive forces and social consciousness produced a number of negative phenomena, especially the waste of labor and means of production, low quality of production, disregard of social needs and opinions, purely superficial participation of plant crews in management and violations of the principles of social coexistence and justice.

21. In the first half of the 1970's a reform of the economic-financial system of economic organizations was attempted--the so-called system of large economic organizations (WOG). The reform at first produced positive results. In time, however, the weaknesses of certain solutions, contributing to inflationary processes, became apparent. No revision of these solutions was carried out, though. The methods for central planning and management were not adapted to the new operating principles of enterprises. Instead, after 2 years, the reformed system became practically suspended and the highly centralized system was restored, abandoning the application of economic parameters and net indices. The return to centralization did not solve any of the existing problems but, on the contrary, weakened the maneuverability of the economy, reduced the possibilities for fostering initiative among the cadres and adversely affected management efficiency.

22. Beginning in the first of the 1970's, the basic assumptions of central planning were undermined and its principles were violated by adopting, in addition to plans, numerous decisions detrimental to the economic equilibrium. Thus, as a consequence of these additional decisions from 1971 to 1975 the level of investment outlays specified in the 5-year plan was exceeded by nearly 450 billion zlotys--that is, by nearly 30 percent--which upset a number of rational economic proportions. This was justified by pointing to the misinterpreted idea of the so-called "open plan," allowing for the adoption of even large undertakings outside the plan, which in practice meant abandonment of socialist planning.

The central level of management focused too much attention on current operational matters. The importance of plans was devalued. Within some 15 days after the

national socioeconomic plan was voted, it was markedly revised. This resulted in a decline in the quality of planning and the discipline of plan fulfillment. The harm to the economy was particularly large due to plan revisions and the adoption of nonplan decisions without a thorough balancing of tasks with resources. As a consequence, many tasks undertaken lacked backing in the form of material supplies, foreign exchange or potential for the completion of investment projects. This led to, among other things, costly transfers of personnel and equipment of construction enterprises from one end of the country to another.

The Planning Commission did not fulfill its role in determining the correct proportions of development of the national economy and assuring their consistent observance.

23. Another factor complicating the efficient functioning of the economy was the mistakes in shaping its organizational structure. The excessive centralization and artificial standardization of management structures, made without allowance for the uniqueness of discrete fields of the economy, complicated functioning and caused a rise in social costs. This was accompanied by an excessive expansion of economic administration at the level of the associations and the enterprises themselves. This led to too many levels of decisionmaking and an unjustifiably large number of management positions.

24. Economic management in the second half of the 1970's was of the administrative-directive type. The number of directive-type indicators consistently increased. The functioning problems ensuing from the excessively large number of directives were regarded as a result of insufficient availability of discrete elements of the economy; administrative-directive methods were still further developed. Cost-effectiveness analysis ceased to play a significant role in decisionmaking.

25. In addition to the mistakes in economic policy and system of management, a tremendous influence on the shortcomings of that period was exerted by the absence of a rational economic-financial system and particularly by the undermining of the role of money and cost effectiveness in the performance of enterprises. This was related to the excessive number of directives and the introduction of various solutions enabling the enterprises to derive gains from apparent activity rather than from any real improvement in economic performance. Thus, despite the justified criticism of the use of such yardsticks as sales of industrial output or overall construction turnover, the size of the wage fund was made dependent on them. The absence of accurate parameters of cost-effectiveness analysis (prices, foreign-exchange rates, interest) led to the practical neglect of cost-effectiveness analysis, disregard of costs and waste.

26. Due to numerous disproportions and such relatively obscure--to the higher levels of management--phenomena as disproportions in the size of the machinery pool at individual plants or disproportions among coproducers, sometimes even relating to minor components, the economy became opaque and relatively unmaneuverable.

This was also fostered by the restrictions on access to statistical and planning information. At the same time, in a number of fields, reporting lost its

trustworthiness, while the restrictions imposed at a certain moment on statistical information and its distortions due to price movements obscured the overall picture of the economy.

27. Negative effects also were caused by the conduct of wage policies isolated from actual production and financial effects. This resulted in implanting in the consciousness of a large part of the public the mistaken and illusory conviction that the level of wages received and of other monetary income hinges solely on the decisions of the authorities (adopted voluntarily or under the pressure of demands) rather than on labor productivity and the achievable supply of goods and services.

Against this background there occurred a weakening of the motivation to work, a decline in productivity, a worsening of labor discipline and also negative phenomena in moral attitudes.

There has been a large-scale concealment of inventories and underutilization of productive potential in enterprises. Bureaucratization of management and a decline in a feeling of responsibility among managers and rank-and-file employees have intensified.

The defects in the socioeconomic mechanisms have produced a particularly adverse effect on the functioning of worker self-government and restricted its participation in management, thus contributing to the rise of contradictions and tensions in production plants. The statutory duty to approve plans by worker self-government conferences was reduced to a formality. Proposals and demands by plant personnel to improve management and to consider other problems were often ignored. All this caused the loss of the feeling of comanagement among the crews of production plants.

There also were negative phenomena in the sphere of social consciousness, which adversely affected economic performance. The decline of trust in management and the growing ill will of enterprises toward associations and ministries became increasingly widespread. The credibility of government policies steadily declined. This disrupted social bonds between the work force and the decisionmakers at the central level.

28. In summing up the assessment of the causes of the present crisis in this country, it should be stressed that they ensue not from the systemic principles of the socialist economy but, on the contrary, from violations of these principles, nonobservance of objective laws, disregard of economic laws and failure to utilize the opportunities afforded by the socialist system and, especially, by a socialist planned economy.

The thesis of the violation of the economic laws of the socialist economy and of mistakes in economic policy as the principal sources of the crisis of the Polish economy is confirmed by the fact that the other fraternal socialist countries acting under objective conditions similar to ours, such as Czechoslovakia, the German Democratic Republic, or Hungary, succeeded in better exploiting the potential opportunities of the socialist system, avoiding crisis phenomena, and achieving more favorable indicators of economic growth and a more harmonious and balanced economic development.

Thus, a return to the principles of the socialist economy provides the basic assurance of recovery of the developmental process in our economy, now interrupted by the present crisis.

/C. General Diagnosis of the Situation and the Premises for Surmounting the Crisis/

29. The actual state of our economy is characterized by the following basic disproportions, whose surmounting is indispensable to restoring the equilibrium and developmental tendencies of the economy.

First, the permissible ceiling of foreign indebtedness has been exceeded and there is insufficient capability for exports that would assure on-schedule repayment of loans and the financing of the indispensable imports.

Second, there is overinvestment; that is, the impossibility of utilizing the completed industrial projects due to a lack of raw materials and coproduction components, especially those derived from imports from the capitalist countries.

Third, there are the deep disproportions between productive capacities and the achieved output level, especially between the fuel and power industry and the other industries, as well as among many plants of different industries that are interlinked by coproduction ties.

Fourth, there is the large surplus of purchasing power of the public over the supply of goods and services, compounded by the growing inflation and the faulty structure of retail prices, which perpetuates the market imbalances.

Moreover, the economy reveals various other disproportions such as the ones existing between the initiated investment projects and the possibilities for their continuation and completion, between employment in many economic fields and their actual manpower demand in a situation of limited production capacity, between agriculture's demand for means of production and the available supply of these means, etc.

30. The adverse effects of the individual disproportions are exacerbated by other manifestations of the disequilibrium. There is a tremendous shortage of consumer goods in relation to the monetary demand of the population, while at the same time the productive capacities of fixed assets are being underutilized despite the availability of a sufficient labor force. This is related to the absence of coordination of productive capacities of the coworking industries. This barrier can be overcome within a short period of time through imports of the missing raw and other materials, but there is no foreign exchange available for this purpose. The possibilities of purchasing on credit are limited, due to the large foreign indebtedness. The acquisition of funds through additional exports also is not possible, because of the lack of raw and other materials needed to expand output. The reduction of deliveries of goods to the consumer market with the object of exporting them abroad in exchange for materials to enhance the degree of the utilization of fixed assets also is out of the question. The market already is bare of supplies, and the pressure of demand is ever growing.

Attempts are being made to break out of this vicious circle by reducing the outlays on investments. But this solution is not easy. Industries geared to producing capital goods cannot be converted in a short time to producing consumer goods or products that could be profitably exported.

These difficulties can be surmounted only over a longer period that would last several years--a difficult period that must be endured before a change to the better takes place.

31. Given such numerous and often interlinked disproportions, it is of fundamental importance to identify the priorities for stopping the steadily growing crisis and for initiating the process of the stabilization and subsequent recovery of developmental tendencies.

A realistic assessment of the situation indicates that, in the present state of the economy, there are no factors that could autonomously halt the decline and, more importantly, cause the growth of the economy.

In view of the scale of the indebtedness, this role cannot be fulfilled by foreign loans, which--even if the problem of a debt moratorium is solved most advantageously--will not provide us with the opportunity for maintaining the previous level of imports from the capitalist countries. Instead, more restrictions will be necessary on purchases chiefly of capital goods and also--depending on the harvests--of grains and feeds.

Neither can economic investments operate as a factor in stabilization and growth in the near future. Even if part of the initiated investment projects is completely abandoned, the capacity to implement the projects that are most important to recovery of economic activity will not grow rapidly.

It is also difficult to rely on any spontaneous redeployment of the work force and material resources or on any spontaneous and rapid adaptation of the structure of industrial production to the actual needs of achieving effective exports and restoring market equilibrium.

Properly speaking, only in agriculture is there a chance that--given sufficiently favorable weather conditions--the new conditions for the stabilization of the development of private farms and the new economic-financial system of the socialized farms will initiate a spontaneous improvement in the situation. But this does not mean that such improvement should be expected shortly on a significant scale.

In such a situation the point of gravity of all strivings to overcome the crisis is transferred onto:

first, deliberate programming of actions selectively directed at sectors providing the most chances for improvement as well as at sectors representing the greatest bottlenecks in the functioning of the whole economic mechanism;

second, successive implementation of elements of the economic reform so that by 1982 it would be possible not only to introduce a majority of the expected changes but also even to approach the critical point at which it will be possible to decide whether the effect of the introduced elements of the new economic mechanisms has become an essential factor.

The fundamental prerequisite for undertaking all these actions is to proceed from the principle of a genuine partnership with the trade unions and other public organizations.

32. In emphasizing the importance of the reform to surmounting the present crisis, it should be borne in mind that the operation of the new mechanism cannot immediately be fully effective. Inasmuch as the traditional system of directive-distributing methods has lost its effectiveness, so that the economy has become relatively unamenable to being directed centrally, and while the new system will mature gradually, there is a need for a systematic preparation of a complex totality of solutions for the interim period. These solutions should be a sui generis bridge toward final solutions, with allowance for all constraints and obstacles that must be overcome before an equilibrium is achieved, at least in the key sectors. The most difficult problem is that of determining the directions of utilization of the means of production and manpower resources, that is, the so-called distribution of the means of production and redeployment of the work force. These subjects will be worked out as part of a program for stabilizing actions. Hence in this report we confine ourselves to stating that it will not be possible to avoid completely resorting to certain traditional methods, particularly regarding the distribution of the means of production. Where these methods will still be temporarily needed, the aim should be to reduce their scope gradually, to apply distribution criteria corresponding to the new needs and to apply a different organizational apparatus.

33. Under present conditions the state of public awareness, which has not always been properly appreciated, has become an immensely important factor. Already years ago it was recognized that science should be regarded as a productive force on its own, though concrete conclusions have not always been drawn from this. By analogy, public awareness should likewise be regarded as a distinctive productive force. Currently the state of that awareness rather restricts the freedom of choice of economic policies instead of acting as a growth-stimulating factor.

This is an additional and extremely difficult element in a situation when, 9 months after the signing of the agreements at Gdansk, Szczecin and Jastrzebie, the material possibilities of the economy in many fields are limited or blocked. This creates the danger of a further disorganization of economic life and hence also of disintegration of the bonds linking society together.

But at the same time--despite the shortage of material resources--there is a major chance for using public awareness of the existing situation as the point of departure for emerging from the present crisis. Then public awareness would generate organized collective effort directed chiefly at the sectors in which the process of the renewal and renewed economic development can and should be initiated: the production of coal and other raw and other materials, agricultural

production, the development of small-scale production, structural changes in industrial production, an efficient utilization of material and manpower resources and the reform of the structure and operation of the economic mechanism.

The shaping of public awareness and of subsequent attitudes through publicity campaigns, and the build-up of broad public confidence and understanding of coresponsibility through dialogue with the public and its organizations, through courage, deliberation and swift action of the authorities--are a task of equal importance to that of purely economic measures.

Part 2. Assessment of the State of the Main Fields of Economic Activity

/A. Material Production, National Income/

1. Industry

34. The present state of our industry is characterized by a significant production potential.

Producer goods [fixed assets] in industry have in recent years been considerably expanded and, in many branches, modernized through purchases of technologies from the highly developed countries. Their value has reached 2.6 trillion zlotys, even if that value has to be revised in view of that part of the capacity that is inactive or improperly utilized and thereby represents only potential rather than actual production capabilities. Of major importance to the development of industrial production are the domestic resources of many minerals, especially hard and brown coal, copper, zinc, lead, sulfur and salt.

An important factor in the new production potential is the developed machine-building industry. For a number of reasons the efficiency of utilization of our industrial potential is low.

35. The principal cause of the underutilization of industrial production capacity characteristic of the present situation is the problems with the supply of power, raw and other materials and coproduction components, especially the imported ones, as well as the insufficiently coordinated production capabilities of individual industrial subsectors and plants, due to various disproportions. As a result, over the last 10 years the number of work shifts in industry has been decreasing--and since 1975 the degree of utilization of working posts also has been decreasing.

The degree of utilization of industrial productive capacities at the threshold of the 1980's is estimated to average 80-85 percent--and in certain subsectors the underutilization is even higher.

Underutilization of production capacity occurs in, among others, the machine-building, chemical, building materials, furniture, printing and light industries as well as in certain subsectors of the food industry.

The absence of intercoordination of productive capabilities in allied branches of production results in surplus production capacity for certain equipment and

at certain plants--capacity that cannot be utilized, due to the absence of adequate production capacities in the other stages of the production cycle. In the last few months the degree of utilization of industrial production capacity has further markedly decreased, due to the growing disruption of coproduction ties, disturbances in material-technical supply and relaxation of labor discipline.

36. At the end of 1980 the disproportion between the economy's demand for hard coal and the possibilities for satisfying it became particularly acute.

In the last 10 years coal demand for power-generating and heating purposes has been rising with special rapidity, especially due to the lack of progress in coal and power conservation. At the same time, coal exports had been rapidly expanded from some 29 million tons in 1970 to more than 41 million tons in 1978.

To satisfy the rising demand, overtime work as well as, to a rising extent, work on Sundays began to be introduced in coal mining. This phenomenon became widespread after 1975. In the first half of 1980 the number of overtime hours worked per industrial-group worker in the coal mines reached 108 hours.

In 1976 extraction on Sundays and holidays exceeded 11 million tons; that is, more than 6 percent of total extraction. In the endeavor to increase extraction rapidly--which, it was believed, could be accomplished within a short period of time only by prolonging the operating time of mines, while at the same time allowing for the necessity of a tangible shortening of the work hours of miners--as of 1978 the four-brigade organization of labor began to be introduced. By August 1980 this system was introduced in 28 of the total of 66 mines. It has not, however, met with the approval of miners, because the leisure days fell on various days of the week, upsetting the traditional mode of life of the miners' families.

Hence, the abolition of the four-brigade organization of labor as well as of work on Sundays and also on Saturdays was one of the main demands of miners in August and September 1980.

Another source of satisfying the growing demand for coal--in addition to extraction--has been the gradual reduction of the coal stocks in the economy throughout the greater part of the last 10 years. Thus, the nation's coal stocks on 1 January 1973 (prior to the so-called energy crisis in the world economy) sufficed for 29 days of consumption, whereas on 1 January 1980 they sufficed for only 13 days. The consequences of inadequate stocks were especially acute during the difficult winter of 1979.

The transport problems in Upper Silesia have often necessitated keeping dumps of extracted coal on mine surfaces, sometimes on unprepared surfaces. The loading of that coal was often performed by measuring it, not weighing it. Improper dump maintenance and inaccurate recordkeeping resulted in differences between the recorded and actual stocks of coal at some mines. In 1980 the stocks of coal at the mines were properly inventoried and thoroughly measured with the aid of sworn mine assayers. At the time, a coal deficit aggregating 612,000 tons was found at 22 mines--this equals about 0.3 percent of annual extraction. In 1980 certain mines were also found to keep inaccurate accounts of the extraction and sales of

coal, with invoices being sent to customers after, rather than before, delivery. Auditing by the Ministry of Mining and the NIK [Supreme Chamber of Control] established that this procedure was applied--as of 30 June 1980--to a total of 1,154,000 tons of coal. This practice was eliminated early in September 1980, at the same time a system of settling accounts that precluded this practice, was introduced.

In the past 10 years the increase in coal extraction took place under steadily worsening mining and geological conditions. At the same time, there was an increase in the share of extraction from the relatively more accessible deposits of coal with inferior quality parameters.

In view of the rise in the share of hard coal extracted from seams of inferior quality and also due to the overemphasis on a quantitative increase in extraction without at the same time sufficiently utilizing coal-concentrating facilities, the mean calorific value of coal decreased from 5,872 Kcal/kg in 1975 to 5,686 Kcal in 1980; that is, by 186 Kcal/kg.

The decline in the calorific value of extracted coal has also been due to the rising scope of the mechanization of extraction, which in the past 10 years has been markedly advanced. The number of mechanized timbering sections increased from 3,800 units at the end of 1970 to more than 70,000 units in March 1981. The number of mine-heading machines during the same period increased from 10 to 308; the share of high-capacity mine-wall machines rose from about 8 percent in 1970 to more than 71 percent in 1981.

The development of mechanization increased the demand for mining machinery and equipment, spare parts and repair and maintenance facilities. The output of mining machinery and equipment in the past 10 years has nearly tripled. The great emphasis placed on the development of the production of complete sets of machinery and equipment caused the output of spare parts to lag behind demand. Similarly, the output of equipment for the mechanization of auxiliary operations has not been developed on the necessary scale. In view of the difficulties in obtaining various domestic-made coproduction components, their imports from the capitalist countries have markedly expanded.

The shortages of spare parts and the import problems, worsening as the shortage of foreign exchange increased, and also the shortages of trained operating personnel resulted in decreased quality of operation of machinery and equipment. This phenomenon was most acute in the mines operating on the basis of the four-brigade organization of labor, where the employment shortages were the greatest and the operating time of machinery was the longest--at the expense of reducing the time allotted for inspection, maintenance and routine repairs.

In the 1970's coal mining experienced a consistent shortage of manpower along with a marked turnover of the work force, which was due to--in addition to changes in the organization of labor--delays in implementing the program for housing construction for miners.

These causes led miners in September 1980 to make certain demands and ultimately to get approved in the Jastrzebie Agreement certain changes in the organization

of labor at the mines as well as shortening of the weekly number of work hours. As a consequence of these changes, coal extraction in 1980 amounted to 193 million tons compared with 201 million in 1979. This led to a marked restriction in 1980 of the output of various coal-intensive products, as well as to a reduction in coal exports from about 41 million tons in 1979 to about 31 million in 1980. In the first few months of 1981 the situation in this respect has further markedly worsened, coal extraction decreased by 20 percent compared with last year.

Coal is of special strategic importance to our economy as the principal factor in the nation's fuel and power balance as well as an exceptionally important export item. For this very reason it is important to surmount the crisis in extraction.

There is also a serious shortage of high-methane natural gas, whose extraction has, due to the depletion of the existing deposits, fallen from 4.9 billion cu m in 1975 to 2.6 billion in 1980. Although the increase in imports of natural gas from the USSR is alleviating the consequences of this situation, such a marked decline in domestic extraction affects adversely, among other things, the output of nitrogenous fertilizers.

37. In the electric power industry in recent years disproportion is growing between peak-period power demand and the available power capacity of electric power plants, as well as a growing imbalance between installed and available capacities, as illustrated in the following table (in megawatts):

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Mean installed capacity in domestic power plants	21,014	22,145	24,053	25,211
Mean available capacity of domestic power plants in December	17,544	18,159	19,595	19,732
Difference between installed and available capacities	-3,470	-3,986	-4,457	-5,479
Mean power deficit in December	1,010	1,150	717	1,438

In December 1977 the difference between installed and available capacities of electric power plants was 3,500 MW or about 16 percent, whereas in December 1980 this difference grew to 5,500 MW. About 21 percent of installed capacity was unused.

The unfavorable situation of the electric power industry in the late 1970's and at present has been due to:

--delays in the activation of 3,200 MW of new capacity envisaged in the investment plan for the 1976-1980 period, which amounts to one-third of that plan;

--decrease in power availability due to the complete depreciation of certain facilities and other technical factors;

--increase in energy-intensive production by certain branches of the economy;

--decrease in calorific value of the coal supplied to power plants, in relation to operating requirements.

The maximum peak-period electric power demand at the end of 1980 was undersupplied by about 4,000 MW or 16 percent of the entire installed capacity of electric power plants, which is equal to a 2.5-year mean annual increase in new installed capacity activated during the 1976-1980 period.

Power outages resulted in a decrease in output, especially of such products as electric-arc furnace steel, rolled products, carbide, soda, ammonia, chlorine, synthetic fibers and cement.

38. Despite the extremely difficult supply situation in many sectors, the domestic raw materials base is inadequately utilized in certain sectors. Thus, due to insufficient steel and copper processing capacities, we are exporting these materials in entirely or relatively unprocessed form. Due to the lack of production capability in the chemical industry, as well as due to improper price relations between coal- and petroleum-derived products, tars are either exported or unproductively used, although they can be processed into valuable finished and semi-finished products for the pharmaceuticals and dyestuffs industries. There persists a shortage of production capacity in certain branches of the food industry that process domestic agricultural raw materials of vegetable origin.

Inefficiency characterizes the utilization of various secondary raw materials such as wastepaper, timber wastes and rubber tires. Substantial quantities of waste, especially of mineral waste, are not being recovered. For several years the degree of utilization of secondary materials has been declining: in 1978 it amounted to 69 percent; in 1979, to 64 percent and in 1980, 62 percent.

39. The situation in the iron and steel industry is marked by a substantial discrepancy between the high and, in recent years, much greater demand of the economy for high-grade products such as cold-rolled sheets, stainless-steel sheets, coated sheets, tool steel products and other products indispensable to the development of an up-to-date production of electrical machinery, on the one hand, and the domestic output of metallurgical products, on the other. The quantitative increase in that output has been chiefly due to the increase in the output of ordinary steels. This resulted from the commitment, in the 1970's, of most of the investment funds to the quantitative increase in steel output, achieved chiefly at the Katowice Iron and Steel Plant. In the present situation the shortage of modern metallurgical products is being partly offset by imports, while surpluses of products made from ordinary steels have to be destined for export. The price ratio of 1 ton of imported metallurgical product to 1 ton of exported products is 3:1.

We are among the world's major producers of copper, as well as of silver, which is extracted along with it; output in Poland accounts for about 8 percent of the world's output. Due to the expansion of the copper mining and processing industry, initiated in the 1960's and markedly advanced in the last 10 years, we have increased our output of copper and silver nearly fivefold.

40. The chemical industry is incapable of satisfying the economy's demand for chemicals, which has markedly increased in the last 10 years. This is chiefly due to the underestimation of the need to develop that industry more rapidly in the last 10 years--the failure to allow for the rate of growth of the demand for chemicals, in disregard of the worldwide trend for an accelerated expansion of chemical production.

Increases in the output of certain groups of chemicals have been achieved through a marked expansion of imports of semifinished products and substances from the capitalist countries, on which hinges to a large extent the production of pharmaceuticals, plant pesticides, perfume and cosmetic products and lacquer products.

As a consequence, about one-third of the value of the domestic consumption of chemical raw materials and chemicals derives from imports; import difficulties considerably and adversely affect the satisfaction of the existing needs. The supply of the economy with semifinished and finished chemicals is, despite the complementing imports, plagued by acute shortages of such products as pharmaceuticals, detergents and personal-hygiene products, agricultural chemicals (especially plant pesticides and feed additives), printing dyes, dyestuffs, food additives, plastics, synthetic rubber, rubber tires and lacquer products.

41. The electrical machine-building industry accounts for 22 percent of the fixed assets of the entire industry. In 1980 it accounted for nearly 35 percent of total industrial output, while in 1970 its share was about 26 percent.

In the 1970's many plants of that industry have been expanded and modernized, resulting in a sharp increase in output, especially in the precision instruments and electrotechnical and electronics industries. Furthermore, marked advances have been achieved in building seagoing shipping. The production of many up-to-date units of mining and construction machinery has been activated. Substantial resources have been committed to the automotive industry, which has comprehensively and in accordance with the plans mastered the large-series production of the Fiat 126p car, for exporting engines and cars to repay the contracted loans. Due chiefly to the expansion of domestic output, major advances have been made in increasing private car ownership. In 1970 there were about 20 families for each passenger car, while in 1980 there was a passenger car for every fifth family. However, the problem of spare parts supply and servicing has not been solved. Public transit has been neglected as well, which at present (given the high petroleum prices) is quite tangibly felt. On the whole, the results achieved by the automotive industry have been too low in relation to the outlays made. The quality of various products of that industry is still insufficient and its production is import-intensive. The possibilities for reducing that import-intensiveness through coproduction with other CEMA countries have not been adequately utilized.

The electrical machine-building industry has achieved a marked increase in the production and market supply of household appliances, lighting fixtures, radio and TV sets and tourist facilities. As a result, during the 1971-1980 decade the percentage of households with TV sets has grown from 48 to 85 percent and that of households with refrigerators and freezers, from 24 to 85 percent.

The situation in many subsectors of the electrical machine-building industry is characterized by a marked disproportion between the capability for assembling final products and the productive capacity of foundries, forging shops, tool-making shops and mechanical shops, as well as by shortages of electronic, electrotechnical and hydraulic components and spare parts. This disproportion became evident already in the 1960's; but during the 1970's emphasis continued on expanding final output without eliminating many backlogs in the development of the coproduction base. The level of the output of spare parts also has often been too low in relation to the number of final products in operation. Combined with the underdevelopment of repair facilities, this markedly reduces the technical readiness of the operated means of transportation, machinery and equipment.

An essential aspect of the situation in the Polish machine-building industry is the broad variety of products manufactured--excessive in relation to the available production potential. As a consequence, many products are manufactured in excessively small series, which is the principal cause of high production costs. Despite the progress achieved in certain sectors, the machine-building industry still lacks adequate capability for any effective large-scale exports, especially since the production of many of its products is largely dependent on imports from the capitalist countries.

There is insufficient production of technological equipment indispensable for modernizing and renovating the obsolete machinery pool and eliminating material- and energy-intensive technologies in the existing plants. This is among the factors complicating the revision of the structure of the investment projects being implemented in Poland in order to increase the share of projects for the purpose of modernization.

Insufficient also is the degree of commitment of the production potential of the machine-building industry to servicing the agricultural-food industry complex with regard to both the quantity and quality of the machinery and equipment manufactured. For many years relatively insignificant resources have been allotted for the needs of that complex--other than a tractor built under a license. This has led to a serious neglect of the industrial subsectors working for the needs of agriculture. In particular, the output of agricultural machinery and equipment for private farms has been excessively restricted. While the production of equipment adapted for horse traction has been restricted or even discontinued, there has been no accompanying expansion of analogous equipment for small and medium farms using tractors, despite the fact that in 1980 these farms operated more than 60 percent of the total number of tractors in Poland.

42. Another structural weakness of industry is the low production potential of small-scale industry. This is due to, among other things, the unjustified shutdown of state-owned local industry in the 1970's and the transfer of many of its plants to key industry, which mostly resulted in changing the production profile of these plants and discontinuing their traditional production. This also partly applies to cooperative plants. The number of socialized industrial enterprises employing up to 100 persons, which in 1970 was about 1,100, fell in 1980 to about 320 enterprises; that is, by more than 70 percent.

State local industry exists only in the Katowice and Warsaw provinces. It employs about 20,000 persons. Its annual output is about 10 billion zlotys; i.e., about 0.3 percent of the total industrial output of the nation.

Cooperative industry employs about 695,000 persons (in producer cooperatives, cooperatives of disabled persons and agricultural cooperative movement). Its annual output is valued at about 350 billion zlotys or about 11 percent of the total industrial output of the nation.

A major barrier to the development of small-scale industry is the underinvestment in its technical facilities and the insufficient supply of raw and other materials. In the past 10 years small-scale industry benefited insignificantly from the supply of up-to-date machinery and equipment. The supply of used machinery and equipment was limited as well. Small-scale industry receives a share of supplies that is disproportionately low in relation to its share in total industrial output. Thus, in 1980 socialized small-scale industry received less than 1 1/2 percent of the total amount of the allocated metallurgical products, about 5 percent of plastics and lumber, less than 1 percent of cement, etc. The handicrafts industry received even fewer official supplies. This has resulted in frequent instances of semilegal or illegal procurement of supplies by both the socialized small-scale industry and the handicrafts industries. This has led to demoralization and sometimes even to abuses.

The development of the cooperative industry in the last 10 years has also been impeded by the weakening of the role of the cooperatives, the restrictions on their self-government and the spread of bureaucratization, which did not contribute to the development of production and economic initiative by cooperative members. The performance of small-scale industry in the past decade has also been adversely affected by frequent reorganizations and the directive system of management, which limited freedom of action.

43. In recent years a substantial part of industrial output has been persisting at an unsatisfactory quality level. The share of products of high quality meeting the world level is incommensurately low. The Q-letter (denoting a level corresponding to high world standards) is awarded to products whose total output accounts for as little as some 0.6 percent of the value of industrial output.

Assessments of the quality of new products point to an inadequate level of their preparation for production. In 1980, out of the 1,127 new products submitted for quality assessment, only 15 products received the Q-letter, while 380 products received the 1-letter (meaning a high level on the national scale). Of the 448 products made under license and submitted for quality assessment, 27 received the Q-letter and 318, the 1-letter. The remaining 23 percent of products made under license did not qualify, which means that a relatively substantial part of these products did not represent an adequate technical level.

In certain cases the quality of manufactured industrial products has decreased. The emphasis on the quantitative increase in output has often occurred at the expense of quality and nonobservance of technological discipline.

44. In Polish industry there persists--compared with the more highly developed countries--an unfavorable structure of production as reflected in the high share of highly material- and energ-intensive branches, subsectors, and product groups and the low extent of processing of raw materials.

In the late 1970's in Poland every \$1,000 of generated national income involved the consumption of 1,542 kg of raw materials for energy generation, more than 156 kg of steel, 26 kg of copper, nearly 1.4 kg of zinc and more than 170 kg of cement. The indicators regarding steel are more than twice as high as in the highly industrialized countries; regarding cement, nearly three times higher; regarding standard fuel, two and one-half times as high.

This is attributable to the fact that in these countries the processing of raw materials is more advanced, and the share of branches marked by a low energy- and material-intensiveness and a high technical level (electronics, means of automation, information science, precision instruments industry, etc., i.e., branches in which we still considerably lag) is higher and still growing. This also ensues from the often inadequate quality of the materials produced in Poland as well as from the use of obsolete technologies. For instance, in Poland the share of the metal-cutting method of machining, characterized by a high percentage of wastes and metal loss, is much higher than in many other countries.

At the same time, the consumption of modern materials, chiefly aluminum and plastics, is only a fraction as high in this country. Quite often the unit weight of manufactured products in relation to their useful parameters is much higher in this country than for analogous products manufactured in the highly developed countries.

The higher level of materials consumption in Poland than in these countries is also due to the lower reliability of many Polish-produced products, the excessive consumption of spare parts, the less careful maintenance and hence also shorter operating life, and the losses due to premature corrosion.

Any marked reduction in the material-intensiveness of industrial production will require a great deal of time.

45. A factor adverse to a more rational utilization of materials is the faulty system of supplier prices and the insufficient interest of enterprises in reducing material costs.

The flaws in the current structure of supplier prices include:

- a. excessively low prices of raw and other materials compared with the cost of their production or imports, which does not contribute to a conservative consumption of materials;
- b. low prices of fuels, raw materials, and other materials compared with the prices of finished products, which does not encourage outlays on the introduction of materials-saving technologies and design solutions, and neither does this encourage an intensive recovery of secondary raw materials and waste materials, especially when additional outlays of labor are required;

c. improper price proportions among discrete raw and other materials, which impedes the development of production and the use of more economical materials from the standpoint of the economy as a whole.

The mandatory economic-financial system, based on gross [quantity] indicators, has contributed to a wasteful consumption of raw materials and power and discouraged conservation in this field.

/2. Agriculture and Food Economy/

46. Due to the urbanization of this country and the population increase, the per capita cropland during the 1977-1980 period has diminished from 0.60 to 0.53 hectares; that is, by 12 percent.

This was accompanied by changes in the structure of cropland ownership in favor of the socialized sector, as illustrated by the following statistics (in percentage):

	<u>1970</u>	<u>1980</u>
Socialized sector	24.0	31.6
Of which: state farms	15.4	19.3
producer cooperatives	1.2	3.8
agricultural circles	0.2	1.2
Private farms	75.1	68.4

The number of private farms decreased from 1971 to 1980 from about 3.2 million to about 2.9 million; the size of the average farm increased somewhat to about 5 hectares. In the 1971-1980 period the State Land Fund took over about 2 million hectares from private farms, while at the same time transferring to these farms about 0.7 million hectares. In this connection, during the 1971-1980 decade the land-management policies of the State Land Fund flip-flopped several times. This can be illustrated by means of the ratio of the amount of land transferred to private farms to land taken over from these farms during the following several periods:

1971-1973	66.6 percent
1974-1976	9.3 percent
1977-1979	47.9 percent
1980	78.6 percent

The restrictions on sales of land to private farms existing over the greater part of that decade, and especially in the 1974-1976 period, hindered improvements in their size structure; they also undermined the feeling of their stabilization, which contributed to an excessive migration of population to work in other sectors of the economy. At the same time the transfer of often scattered land plots to socialized farms, without allowance for the possibilities for their efficient utilization, adversely affected their economic performance and required substantial investment outlays. The formation of combined farms operated by agricultural circle cooperatives on these dispersed land plots produced a particularly adverse effect.

The degree of land utilization is unfavorable. About 1 million hectares is utilized improperly and extensively, so that their output is about 30-50 percent lower than it should be. More than one-quarter of a million hectares is represented by fallows and by soils requiring reclamation. Nearly one-third of the farms (i.e., about 1 million) are managed by farmers who are close to or have reached the old-age pension limit.

47. Agricultural employment during the 1971-1980 period has decreased from about 5.2 million to about 4.3 million. Of this total, employment on socialized farms rose from about 0.8 million to about 1.1 million, while employment on private farms declined from about 4.4 million to about 3.2 million; i.e., by about 28 percent. A large part of this decline is due to the migration of youth, especially males, from the countryside, chiefly to work in industry and construction. The share of the elderly and pension-age persons, as well as of women, in private-farm employment has greatly increased. On private farms women account for nearly one-half of all employment, and on small-plot farms their share is dominant. Most males from these farms work in other sectors of the economy.

The number of so-called farmer-laborers who combine nonagricultural jobs with the management of their own farms amounted to 1,176,000 in 1978 (according to the population census). Of this total, 220,000 farmers-laborers operated farms ranging from 5 to 10 hectares in area, and about 53,000 farmers-laborers, farms exceeding 10 hectares in area.

The considerable migration to nonagricultural jobs has been due not only to the absence of a feeling of stability but also to the improved education of rural youth and its greater aspirations--which cannot be satisfied in the countryside, due to no marked progress in expanding the infrastructure of residential-communal and sociocultural facilities in the countryside--as well as to the differences in the time and strenuousness of work between agriculture and other fields of the economy. To equalize social services for the urban and rural population, in the 1970's private farmers and their families were granted the right to free medical care and to old-age and other pensions.

48. A factor contributing to the persistence of heavy labor in agricultural production, and at the same time complicating a rapid rise in production, has been the insufficient allocation of the means of production from industry (tractors, agricultural machinery, mineral fertilizers, plant pesticides, land reclamation equipment, building materials, etc.), during the 1971-1980 period. The insufficient supply of these resources stemmed from the excessively slow--in relation to the demand--development of the productive capacities of the industrial subsectors serving agriculture. This applies in particular to the chemical and agricultural machine-building industries. During the 1976-1980 period there was a stagnation in the consumption of mineral fertilizers. On private farms fertilization declined by about 9 kg per hectare. The supply of pesticides and herbicides also decreased. A similar decrease occurred in the supply of basic building materials for the rural market. In 1980 the rural market was supplied with about 3.4 million tons of cement (i.e., 32 percent less than in 1975), 3.1 million units of wall materials (i.e., 16.6 percent less), and 424,000 tons of metallurgical products (i.e., 7 percent less).

In agriculture as a whole the share of mechanized (combine-harvester) grain harvesting rose during the 10-year period from about 21 to 45 percent, and mechanized sugar beet harvesting, from about 25 to 46 percent and mechanized potato harvesting, from 5 to 21 percent. Little progress, on the other hand, has been made in mechanizing the cultivation of fodder crops and the silage of green fodder.

The number of agricultural tractors has increased by a factor of more than 2.5 during the decade. In 1980 it reached about 619,000, which, however, still lags behind the demand, especially since about 17 percent of the total number of tractors and 20 percent of the trailers stand idle due to a shortage of spare parts, rubber tires and storage batteries. The shortage of trucks is creating an excessive use of tractors for agricultural and nonagricultural transportation instead of field work.

There is a tangible shortage of many types of agricultural machinery and tools, including the simplest ones. In many cases farms and agriculture-servicing units operate only discrete machines instead of complete sets of machinery needed for individual agricultural-engineering operations. This restricts human and equipment productivity and complicates the proper utilization of the available resources.

The advances achieved in mechanizing agriculture have not offset the decrease in the agricultural work force. Given the inadequate development of technical facilities and the low organizational efficiency of the system of mechanization services, this has been a major factor in the decline in the level of agricultural engineering.

The deficiencies in the technical equipping of agriculture, the shortages of plastic sheeting and chemical preservatives and the inadequate progress in the construction of silos and storage facilities, are causing substantial losses of produce, especially potatoes and fodder.

The progress of the productivity of animal husbandry and of the efficiency of fodder utilization also has been insufficient. This is due to, among other things, improper fodder structure, unstable quality of production at industrial feed plants, and the marked shortage of chemical additives.

The water supply of agriculture and the countryside is marked by growing shortages of water. At the end of 1980 the supply of water on about 3.5 million hectares needed improvement but the scope of reclamation work decreased to a level that did not assure even the renovation of existing reclamation facilities. Barely 10 percent of the villages are provided with water mains, although these are an important factor in the intensification of animal production.

Delays are taking place in the development of general-agricultural infrastructure. Among other things, the share of outlays on land reclamation, electrification and veterinary care in agriculture as a whole decreased from about 16 percent in 1970 to about 7 percent in 1980. The scope of investments in private farms also has been insufficient, and this adversely affected their output level.

49. Since 1976 agricultural production has been stagnating. Following its relatively rapid growth from 1971 to 1974, there occurred at first an explicit weakening of developmental tendencies and subsequently a decline in output, which in 1980 reached a virtually disastrous extent. This is illustrated in the following table:

	Mean for the period		1980	Indices	
	1971-1975	1976-1979		1971-1975= 100	1976-1979= 100
Total output (in billion of zlotys in 1976 prices)	606.8	635.2	574.4	94.7	90.4
Of which:					
Crop production	342.2	349.7	290.4	84.9	83.0
Animal production	264.6	285.5	284.3	107.3	99.5
Total grain harvest, in millions of tons	20.9	19.8	18.3	87.6	92.7
Potato harvest, in millions of tons	47.1	46.8	26.4	46.1	56.4
Sugar beet harvest, in millions of tons	13.8	15.2	10.1	73.2	66.9

Crop production, which increased initially during the 1971-1980 period and reached its peak in 1976, subsequently began to decline. In 1981, due to particularly unfavorable weather conditions, there was an extremely poor harvest of chiefly, root crops, which resulted in a 15-percent decrease in crop production compared with the previous year.

Animal production increased during the last decade more rapidly than crop production. In this connection--especially during the period of decline in crop production--the production of meat, milk and other products of animal origin was maintained with the aid of increasingly greater imports of grain and high-protein feeds. In 1980 these imports had more than tripled compared with 1970, while the foreign-exchange outlays for this purpose had increased by a factor of more than 5 (due to the price increases). As a result, the level of meat consumption, especially during the last 5 years, was maintained largely at expense of a worsening negative balance of foreign trade in agricultural materials and foodstuffs.

In 1980 there was a decline in animal production, including the production of slaughter livestock, which, in terms of meat, was about 100,000 tons lower than in 1979. The declining trend of animal production is growing worse this year. Its principal cause has been the marked reduction in fodder production during 1980 and especially the drastic decline in the potato harvest and in the profitability of animal husbandry.

The cessation of the growth, followed by a decline, of agricultural production was to some extent due to the unfavorable weather conditions in the second half of the 1970's but mainly to the economic policies implemented during the last decade, which substantially influenced agriculture.

50. A weakness of the policies of developing agricultural production in the 1970's has been the absence of effective measures to streamline the utilization of productive capacities.

In addition to the not always rational land management, the toleration of the excessive migration of rural youth to the cities and the insufficient supply of the means of production to agriculture, the utilization of the productive potential of agriculture was also adversely affected by the absence of a coherent agricultural policy. The illusory hopes that the development of agricultural, and especially animal, production could be accelerated by means of directives reinforced by an extensive system of subsidies for socialized farms, were coupled with underestimation of the productive potential of private farms.

Failure to observe the principle of profitability of production and limiting the access of private farms to land and scarce means of production weakened their productive capabilities.

On socialized farms the high capital- and material intensiveness of production resulted in an ever-increasing cost of agricultural production.

The unsatisfactory performance of socialized farms was largely due to the excessively centralized directive-type system of management, not based on cost-effectiveness analysis or principles of rational management adapted to differing local conditions. Socialized farms were deprived of freedom to choose their own structure of production and to make most of their own production decisions. This often resulted in their undertaking activities doomed to be unprofitable or non-rational from the standpoint of agricultural engineering. At the same time, this system freed the management and personnel of the farms from responsibility for production results and economic performance.

At the same time also, the policy of accelerating the growth of personal income while freezing the prices of staple foodstuffs, shaped consumer demand of the population in a manner divorced from the real productive capabilities of agriculture.

The increased demand for goods of animal origin, especially for meat, exerted pressure on agriculture to stimulate an increase in animal production even at the expense of substantial increases in imports of grain and feeds.

51. The excessive differences between the retail prices of food and the cost of producing it, as reflected in the procurement prices of agricultural products, led to various distortions. On a large part of the farms, especially the smaller ones, this led to the abandonment of the production of meat and milk for the self-sustenance of the farmers. By the same token, this led to the waste of a considerable part of livestock premises, manpower resources and homegrown fodder. Given the simultaneous restrictions on the purchases of feeds from government stocks by private farms, this process of withdrawal from the production of hogs and cattle became consistently greater.

In 1978 more than 1.1 million farms (i.e., 36 percent of all farms), including 64.5 percent of all farms of a size of below 2 hectares, did not raise hogs. Cattle raising was not conducted on about 890,000 farms (i.e., 29 percent). The drive to offset the production decline on private farms by rapidly increasing livestock raising on socialized farms led to a relative increase in the consumption of grain and feeds per meat production unit as well as to a rise in the overall cost of animal production.

The improper policy on retail food prices prevented an appropriate utilization of prices as an instrument to guide the development of agricultural production.

The incommensurately low food prices are at the same time leading to waste as manifested in the use of certain commodities (for example, bread and processed grain products) to fatten livestock, for instance.

52. In the second half of the 1970's an attempt was made to intensify agricultural production on peasant farms by setting up the so-called specialized farms to which priorities in loans and the means of production were granted. Side by side with the positive production effects of such farms, the implementation of this concept entailed mistakes especially consisting in the excessive concentration of available resources and credits on a small number of specialized farms at the expense of the other farms, which were in the majority, and in the development of animal production on these specialized farms despite the lack of sufficient fodder resources of their own. This led to justified public criticism. In 1980 the number of specialized farms totaled 168,000; they accounted for about 12 percent of the aggregate acreage of private farms.

53. While in the 1960's economic relations on state and other socialized farms had been improving, in the 1970's this process had stopped. Subsequently, especially in the latter half of the 1970's, these relations markedly worsened. The economic and incentive systems on socialized farms were adverse to efficient management, as they were oriented to stimulating an increase in output without due regard to production cost.

However, the economic performance of state and cooperative farms has varied, depending to a large extent on the method of management and quality of performance of the personnel on each farm. Despite conditions adverse to profitability, many of these farms achieve not only a satisfactory production performance in grain, among other things, but also advantageous financial and economic results.

54. In the 1970's there was a major but nonuniform increase in the production potential of the agricultural food-processing industry. The investments were chiefly made in the meat, poultry and feeds industries. Some advances have been made in expanding the capacity of freezer plants and storage facilities. However, the other subsectors of this industry, based chiefly on the use of crops as raw materials, still remain underinvested and display considerable shortages of processing capacity. This applies in particular to the dairy, grain-milling, potato-processing, oil and sugar industries. Various small agricultural and food-processing plants remained underdeveloped or even were shut down; e.g., a large number of the grain mills. The procurements and processing of agricultural

produce are marked by substantial shortages of warehousing and storage space as well as by the absence of the so-called cold-storage chain throughout the entire food sector of the economy; that is, by the absence of a properly coordinated variety of cold-storage facilities in wholesale depots, transport system and retail trade.

/3. Forestry/

55. The forested area in this country is about 8.6 million hectares--i.e., about 27.6 percent of the total area of Poland--of which 7.1 million hectares are state forests.

Forest production and the implementation of other purposes of forestry are marked by an exceptionally long-range production cycle, which in Poland reaches 100 years. Hence, economic measures in forestry should be subordinated to the forest's fulfillment of all of its functions: supply of timber, production of oxygen, effect on ecological conditions, general social functions. Periodic management by improper forestry policies may disturb the fulfillment of one or more functions of the forest and destroy the fruit of many years of work. In the 1971-1980 decade the state of forestry deteriorated, as reflected in excessive timber cutting and inadequate forest protection measures.

In the past decade about 207 million cu m of timber were cut in the forests, which exceeded by about 16 million cu m--that is, by about 9 percent--the biologically justified limit. This requires at present a particularly conservative timber management, especially regarding large-sized coniferous timber, whose exploitation has been and remains excessive. At the same time, brushwood, stumpwood, some deciduous timber and industrial timber wastes are not being adequately utilized.

The scope of work to care for and protect the forests, needed for an adequate reproduction of forest resources, has been inadequate. A number of tree stands has become biologically weakened, which, in the absence of systematic forestry measures, contributes to the spread of forest insect pests. For example, in the northern regions of this country the *lymantria monacha* moth infestation has spread over about 1.6 million hectares. Foci of other pests also are numerous.

The reason for the neglect of protective measures in forestry has been largely the decrease in employment in state forests from about 155,000 persons in 1970 to about 115,000 in 1980, which, in turn, was due to the relatively low salary level compared with other branches of the economy, as well as the arduous work, the absence of progress in the mechanization and the difficult social and living conditions, especially the lack of housing for forest service employees. The housing shortage in this respect is estimated at 25,000 dwelling units. One-half of the dwelling units in the existing forestry communities were built before the year 1920 and more than 50 percent lack any amenities.

/4. Construction/

56. At the threshold of the 1980's the capacity of the construction industry for construction-assembly production is--with allowance for progress in its mechanization--about twice as high as it had been in 1970. However, the value of its production has declined in the last 2 years, and in 1980 it fell to a level close to that of 1975. The effectiveness of utilization and the quality of operation of technical equipment are often unsatisfactory.

In the past decade, construction for exports has been developed. In 1980 the value of the exports of construction projects reached about \$10.8 billion. The experience gained in this respect warrants endeavors to develop this domain of exports further as well as to achieve greater foreign-exchange results, which have often been unsatisfactory.

57. The actual situation in the nation's construction is characterized by continuing adverse effects of mistakes ensuing, in particular, from the broad front of simultaneously conducted construction and installation operations on a scale exceeding the real possibilities of material-technical supply. The present critical state of construction has resulted from many factors, of which the principal ones are the absence of effective instruments for counteracting the broadening of the investment front and the practice of introducing sudden revisions of contracts and their target dates of fulfillment. This has often necessitated costly redeployment of the operating sites of enterprises--sometimes to distant regions of this country--and resulted in the prolongation of the implementation cycles of many investment projects. The sudden revisions in the structure and size of the construction tasks have resulted in a disequilibrium between the production program and the material resources, disorganized the performance of construction and installation enterprises and reduced the value of the contract system as well.

There was a marked weakening of cost-effectiveness analysis; in practice it was virtually of no importance and did not produce any measurable effects on the decisions of the enterprises. The scale of material waste in construction is substantial.

The use of the criterion of the fulfillment of material tasks to evaluate the performance of the enterprises has weakened financial discipline, resulting in a marked rise in costs and deterioration of management efficiency. The absence of correct prices has also adversely affected the economic performance of the enterprises.

Irrespective of the external factors contributing to the poor economic performance of the construction and installation enterprises, instances of marked neglect have taken place in construction itself, especially regarding materials management, the utilization of equipment and means of transportation, labor discipline and management efficiency. The greatly expanded technical facilities of construction and installation enterprises are being underutilized due to the underdevelopment of repair and maintenance facilities as well as the production of spare parts.

In recent years the quality of execution of operations, especially of finishing operations, has deteriorated instead of improving. This has affected the scope of repair operations and hence added to the burden on the construction resources.

58. The fulfillment of housing construction has been particularly unfavorable. The fulfillment of the related program was based on the application and development of large-panel technology and the attendant rapid development of large-sized prefabricated components plants (the so-called "house factories"), despite the universal questioning of their economic effectiveness

(because of their capital-, material- and transport-intensiveness). At the same time the development of other construction technologies was neglected in this country, and various available domestic resources of various kinds of building materials were not utilized.

The productive capacities of the large-panel prefabricated components plants were developed in the 1970's on a scale exceeding the actual material possibilities. This led at the same time to disproportions between the capabilities for erecting buildings in so-called raw condition and the capabilities for performing labor-intensive finishing operations. The attained capacity for the production of large-sized components markedly exceeds the existing capacity for the production of utility mains and plumbing fixtures as well as the execution of finishing operations. This has been accompanied by an acute shortage of many products and facilities, especially those needed for heating and electrical installation work.

/5. Transportation and Communications/

59. In the second half of the 1970's the incapacity of the transportation system manifested itself very acutely. This incapacity stems from the great demand of the economy for transport services, coupled with the insufficiently rapid development of transport, especially railroad transport, on the principal transport routes. The great demand for transport services ensued not only from the increase in the material output of the economy as a whole but also from the considerable transport-intensiveness of the economy--greater than that in many other countries with a similar level of development. That considerable transport-intensiveness is chiefly due to the structure of the economy and the often improper geographical distribution of units linked by coproduction ties. The burden on individual means of transportation during various shorter periods has also been magnified by the periodic restrictions on the use of railroad freight hauls on shorter routes, for example, introduced due to the present difficulties.

The transport situation is characterized by a decrease in the scale of incapacity, due largely to the reduced demand of the economy.

During the past decade there was a rapid expansion of the domestic demand for transport services. This was accompanied by the development of land-based transport, in particular by the expansion of rail and highway freight routes (especially those relating to the most difficult problem of providing transport services for Silesia). The share of the electrified railroad network was increased from 17 percent in 1970 to about 28 percent in 1980, and the truck and motorcoach fleets were doubled.

Nevertheless, the growth of transportation lagged behind the growth of the demand for transport services, which resulted in a marked intensification of the operation of means of transportation and led to transport incapacity. The incapacity of railroad transport was chiefly due to neglect of the proper maintenance of track roadbeds and the locomotive network, as well as railroad rolling stock, especially freight cars. This stemmed from the underestimation of the need to develop railroad maintenance facilities and to introduce organizational-technical progress in this respect.

Similarly, in automotive transport the maintenance and servicing facilities have been underdeveloped; their expansion lagged behind the increase in the automotive fleet. As a result, only about 80 percent of the needed overhauls are performed, and the technical readiness factor of the automotive fleet amounts to about 0.7, which is also due to the acute shortage of spare parts, rubber tires and storage batteries.

In regard to road construction, during the past decade the construction of a number of express highways had been undertaken, along with other investment projects intended to improve the road situation. As the economic difficulties increased, the scope of these investments was reduced. Moreover, various projects to expand and modernize the road networks were financed from the funds earmarked for major overhauls, which had adversely affected the quality of repair operations. The current backlog in the renovation and modernization of the road network amounts to an estimated 25,000 km of state roads and 37,000 km of local roads.

Despite the reduced volume of transport services, the situation in transport continues to be difficult due to long-standing neglect, which is resulting in the depreciation of part of the fixed assets, a rise in breakdowns, and the steady deterioration of the performance of transport, especially of rail and motor transport. No improvements in passenger transit conditions have occurred.

60. As regards air transport, in the last decade, among other things, the length of the foreign routes of LOT Polish Airlines has been increased by a factor of about two and one-half. However, the condition of airports and traffic control facilities is inadequate in relation to the volume of air transport services.

In maritime transport, disproportions exist in every area. The capacity of the transshipment ports has markedly increased, especially in regard to coal and petroleum, due to, among other things, the opening of the Northern Port of Gdansk and the expansion of the Swinoujscie Harbor. However, due to changes in the structure of exports and imports compared with original expectations, this capacity is only partially utilized. At the same time the ports have insufficient transshipment and storage capacity for grain, feeds, ore and general cargo. The newly launched process of containerization is progressing extremely slowly. Manual labor at the ports has increased due to the failure to provide appropriate technical and operating conditions and the insufficient mechanization of a large part of the heavy and labor-consuming operations. There are frequent instances of prolongation of the demurrage of shipping at seaports and the attendant increase in costs, including the fees payable in foreign exchange.

Merchant fleet tonnage has more than doubled during the past decade, but this increase did not extend in a sufficient degree to liner ships, which are mostly obsolete and uncompetitive.

61. In communications, the expansion of technical facilities has made it possible nearly to double the number of telephone and television subscribers and largely to automate interurban and international dialing. Advances in the spread of telephone services continue, however, to lag far behind the needs. The number of subscribers awaiting the installation of telephones is 1.2 million and is rapidly rising. In

regard to the density of telephone services, in terms of the number of telephones per capita, this country lags far behind the European average and is below the worldwide average. At the end of the 1970's considerable neglect in the maintenance of communication facilities and delays in the development of postal services and their technical and production bases also manifested themselves.

/6. National Income/

62. The size of the generated national income is a synthetic reflection of the level of material production. In 1970 the value of the generated national income (in current prices) was about 1,946,000,000 zlotys, which means that the per capita income was about 55,000 zlotys.

In the past decade the growth rate of national income has been high until 1975, whereupon it consistently and rapidly declined, year after year. In 1979 national income dropped by more than 2 percent and in 1980, by more than 5 percent, so that it was not much higher than in 1976. This year there is a real danger that the generated national income may decline by some 15 percent, regressing to the 1974 level or, in per capita terms, even to the 1973 level. The share of industry in the generated national income rose during the past decade from about 47 percent in 1970 to nearly 54 percent in 1980. On the other hand, the share of agriculture fell considerably--from about 23 percent in 1970 to about 12 percent in 1980. This has been due, however, not only to structural revisions of the economy but also to the exceptionally unfavorable performance of agriculture in 1980 and the marked decline in production efficiency.

In 1970 about 74 percent of the national income available for distribution was allocated to consumption and in 1980, about 80 percent. Of this total, consumption realized from the personal income of the population accounted for 66.6 percent and the remainder, relating to social consumption and the maintenance of administration and state, for 13.2 percent. About 20 percent was allocated for [capital] accumulation--i.e., for future economic development--including a net of 18.8 percent for increments in new assets--i.e., for investments--and 4 percent for increases in reserves.

The share of accumulation in national income grew from about 26 percent in 1970 to its maximum level of 35.6 percent in 1974, whereupon it gradually was reduced to 20 percent until 1980. Many experts have long opined that allocating more than 30 percent of national income for accumulation is, especially in the presence of a high share of investments, a dangerous policy leading to unfavorable economic consequences. In Poland the 30-percent ceiling of the share of accumulation in national income had been exceeded for 6 years, from 1973 until 1978.

63. National income per capita in the Polish People's Republic was an estimated one-half or even one-third as high as in the Western European countries. It also was lower than in the Czechoslovak SSR and the GDR, due to our lower level of public labor productivity.

As a consequence of the lower level of national income, the level of satisfaction of public needs in Poland has also been lower than in those countries. Hence also, the recovery of the growth of national income and the surmounting of the crisis hinge primarily on recovery of the growth of public labor productivity.

/B. Foreign Trade and Balance of Payments/

64. Poland has a structural underdevelopment of foreign trade, particularly of exports, and belongs among the countries least participating in world trade.

The value of exports per capita in this country in 1980 was about \$480, whereas in most European socialist countries it was one and one-half or even two times as high. Similarly, in most European capitalist countries the value of exports per capita is significantly higher. The level of exports is decisive to the level of imports.

Poland's share in world imports in 1980 was 1.0 percent and in world exports, 0.85 percent.

65. The causes of the structural underdevelopment of foreign trade in Poland are complex. That underdevelopment dates before the entry of this country onto the socialist road of development and has not been surmounted during the 36 years of existence of People's Poland.

In the initial period of socialist industrialization, the absence of tendencies for expansion of exports on the basis of specialization of production was chiefly due to the then justified conviction that exports of coal and other traditional items can be the principal factor assuring the satisfaction of import needs for a number of years. The concepts of economic development implemented in the 1950's were also influenced by the cold war in the relations between the capitalist and socialist worlds and by the restrictions imposed by the capitalist countries on trade with the socialist countries. Even so, no attempts were made to undertake a rational specialization and more far-reaching division of labor with the other socialist countries.

In the 1960's the need to overcome the backwardness in participation in the international division of labor was acknowledged, as was the need for a conscious evolution of rational directions of international specialization, especially within the framework of international economic integration of the socialist countries, but also in relations with countries having other systems of government.

The attempt to evolve a "selective" development and export-oriented specialization of the economy had, however, few chances for success, because the necessary changes in the organization of the economy and in the system of planning and management had not been performed. In particular, appropriate economic mechanisms for interesting economic organizations in the development of effective exports had not been set up. In the 1970's, too, the absence of such premises, as well as of foundations for profit-oriented analysis (improper pricing and foreign-exchange rates), prevented the evolution of export specializations and of an export-oriented economy.

66. The strategy of economic development adopted for the 1970's envisaged expanding production of exports and profitable exports. However, the role of system conditions was underestimated. It was assumed that the forcing of investment projects

based on imported modern technologies would "automatically" provide adequate opportunities for exports, which would serve both to repay loans and to offset the growing import needs.

These assumptions proved unjustified. In the 1970's, especially in the second half, the growth rate of exports was lower than the growth rate of the increase in fixed assets for production, whereas in the 1960's an opposite tendency had taken place. Thus, despite the substantial increase in modern productive capacities, in the last decade the exporting capabilities of the economy did not change significantly.

The share of production for exports in total industrial output increased relatively slowly during the 1970-1979 period (from about 13 to 14.9 percent), and in 1980 it declined slightly.

The progress in developing an export-oriented specialization of production has been slow. Of the more than 150 industrial branches, more than 50 have achieved a higher-than-average share of exports in output, with 29 of these branches represented by branches of the electrical machine-building industry. In the other subsectors of industry the number of branches playing a relatively high role in exports is thus insignificant.

The number of enterprises specializing in production for export is also small. Of the approximately 3,600 existing industrial enterprises, only 169 export abroad more than one-half of their output, and only 369 export more than 30 percent of their output. These enterprises accounted for 52 percent of all exports of industrial goods. Thus, an overwhelming majority of enterprises play only a small role in exports.

67. Changes have taken place in the structure of exports during 1970-1980. In particular, there occurred:

--a marked increase in the share of products of the electrical machine-building industry--from about 42 percent to about 48 percent;

--a slight increase in the share of fuels--from about 12.5 percent to about 14 percent;

--a marked decrease in the share of the products of agriculture and the food-processing industry--from about 14.5 percent to about 8 percent.

The increase in the exports of the electrical machine-building industry has been only to a small extent due to specialization and pertained to relatively small quantities of various products. The competitiveness of the products of that industry on world markets has been inadequate. Many of them represented obsolete design solutions and were of inadequate quality, so that the price ratio of 1 ton of exported products to 1 ton of imported products in various branches of the electrical machine-building industry ranged at 0.6-0.8 in 1980. That, however, means progress compared with the year 1970, when that ratio was 0.4-0.6. More thorough analysis indicates that this progress was achieved chiefly in trade with

the socialist countries, for which this ratio improved from 0.5-1.0 in 1970 to 0.8-1.2 in 1980. On the other hand, in trade with the capitalist countries, both at the beginning and at the end of the past decade, 2 to 6 tons of products of the domestic electrical machine-building industry had to be exported [for the price paid] for every ton of these products imported from the capitalist countries.

In the 1970's coal exports climbed from about 29 million tons in 1970 to more than 41 million tons in 1979. Last year coal exports declined, chiefly in the last months of the year, to a total of 31 million tons. This year, due to the decrease in coal extraction, its exports have been extensively restricted and for the year as a whole they are expected to amount to only one-half of the exports in 1979.

A growing export item in the 1970's has been copper (its exports rose from about 18,000 tons in 1970 to about 145,000 tons in 1980) as well as sulfur (a rise from 1.8 to 3.9 million tons over the same period).

A factor requiring the maintenance of exports of raw materials in the next few years is, among other things, the credit agreements providing for the repayment of certain loans through the exports of coal and copper, as well as the coordination agreements with the other socialist countries, and the long-standing traditional contractual obligations for the deliveries of coal, copper and sulfur, among other things, to both the socialist and the capitalist countries. Altogether, our obligations for the current 5-year period include the exporting of coal in the amount of about 43-45 million tons annually; copper, in the amount of 105,000-140,000 tons annually and sulfur, in an amount gradually decreasing from about 4 million tons this year and next year to about 3 million tons in 1985.

There are serious problems in exporting coal even to satisfy credit obligations, let alone traditional contracts. This year coal exports to satisfy credit obligations alone should exceed 11 million tons, but this is not a realistic possibility. Even if in the coming years coal exports were to be increased annually by 2-3 million tons, it is difficult to expect to regain the traditional sales markets lost due to the decline in extraction.

The decrease in the role of agricultural and food commodities in exports during the 1970's has largely been due to the pressure of domestic demand. In 1980, in particular, this pressure was magnified by the poor harvest and the production problems of agriculture, which caused, among other things, the virtual discontinuation of the exports of butter and sugar and a major reduction of the exports of meat and processed meat products; that is, commodities that had been significant items in our exports.

68. The principal changes that occurred in the structure of imports during the 1970's were:

--the substantial increase in the share of fuels from about 7 percent in 1970 to more than 18 percent in 1980, due to the increase in quantitative imports of petroleum from about 7 million tons in 1970 to more than 16 million tons in the final years of the decade, along with the simultaneous jump in its prices;

--the decrease in the share of products of metallurgical and electric machine-building industries from about 56 percent in 1970 to about 46 percent in 1980 (however, during the greater part of the decade this share had been higher than at its beginning, and in 1976 it reached more than 57 percent, while in 1977 and 1978 it amounted to 53-54 percent; it decreased only toward the end of the decade due to restrictions on investments);

--the increase in the share of agricultural products from about 7 percent in 1970 to about 9 percent in 1980.

The most characteristic feature of the development of imports during the 1970's has been the marked increase in purchases in the capitalist countries, much higher than the exports to these countries. The statistics on trade with the capitalist countries throughout the 1971-1980 decade are as follows:

	In billions of dollars		
	Exports	Imports	Balance
Total trade	42.3	38.2	-15.9
In which:			
Machinery and equipment	9.5	17.6	- 8.1
Of which:			
Coproduction deliveries	x	3.5	x
Spare parts	x	2.0	x
Capital goods deliveries	x	12.1	x
Fuels, raw and other materials	20.4	29.0	- 8.6
Agricultural and food items	7.31	9.1	- 1.8
Of which:			
Grain	x	4.9	x
Feeds	x	2.1	x
Manufactured consumer goods	5.1	2.5	+ 2.6

The aggregate level of imports from 1971 to 1980, due to the broad use of foreign credits, among other things, has exceeded the level of exports to the capitalist countries by about \$16 billion. Such an evolution of foreign trade has resulted in considerable foreign indebtedness of this country.

Early in the 1970's large-scale construction and expansion of industrial plants were undertaken on the basis of imports of modern technologies from developed capitalist countries, financed with loans from these countries. This was the first and particularly significant factor in the increase in imports during that period. The scale of these acquisitions fairly rapidly surpassed the possibilities for an effective absorption of such huge imports by the economy. As a result the acquired machinery and equipment had to stand idle on the sites of construction projects, whose implementation proceeded at a slower pace than that of the imports. In the newly opened plants equipped with imported technological equipment and often geared to the manufacture of products under license, the absence or insufficient development of domestic production of coproduction materials and components for

the newly initiated types of production was fairly frequent as well. In such a situation, the needed materials and components also had to be imported, which in turn became another factor contributing to the growth in imports--this time destined not for developmental purposes but for the current production needs. As years passed, the need to import spare parts for foreign machinery and equipment also increased, so that the machinery and equipment could be maintained in operational readiness. This was the third factor contributing in turn to the rise in imports.

At the same time, the striving to maintain a high level of the consumption of meat and processed meat products, and even to raise that level, in the presence of a decline in animal husbandry on private farms, led to increased imports of grain and feeds. This was the fourth factor contributing in turn to the rise in imports.

All these factors caused an extremely rapid rise in imports from the capitalist countries in the first half of the 1970's. Subsequently, due to the slow growth rate of exports and the growing payments difficulties, since 1976 the growth rate of these imports decreased (in current prices), while their physical volume (in fixed prices) also decreased. In view of the growing dependence of our economy on imports from the capitalist countries during the past decade, the need to restrict these imports became in recent years a source of increasing difficulties to the economy.

69. As a consequence of the rapid rise in imports from the capitalist countries, based on credit terms rather than on exports to these countries, in the course of the decade Poland's indebtedness gradually increased.

Early in the 1970's foreign borrowing was an essential factor in accelerating the development of the economy. However, the burden of that borrowing rapidly increased in scale. Already in 1975 two ceilings regarded in international financial relations as the maximum safe limits of indebtedness had been exceeded, namely:

--the value of the annual payments of principal and interest in convertible currencies exceeded 26 percent of the value of exports to the capitalist countries, whereas the ceiling generally regarded as safe is 25 percent;

--the total indebtedness in convertible currencies exceeded by about one-third the value of exports to the capitalist countries, whereas the ceiling regarded as safe is a value equal to that of the annual exports.

As far back as 1974 these relations still remained proper and the balance of payments could have been maintained if appropriate measures had then been taken to reduce imports and, still more importantly, to expand exports more rapidly.

Such measures were not taken, however. On the contrary, beginning in 1975, the amount of accrued loans was markedly increased (from about \$2.5 billion in 1974 to nearly \$4 billion in 1975). In the subsequent years the policy of further adding to this high indebtedness was continued, even though its rational limits had been exceeded.

At the same time, beginning at the end of 1975, the structure of the foreign borrowings was allowed to deteriorate markedly. While in the first half of the 1970's the contracted loans represented chiefly long-term investment credits providing for the elapse of several years until the first installment payments were to be made, as well as long- and medium-term freely disposable credits, beginning in 1976 there was an increase in the share of medium-term credits for periods of 2 or 3 years for the acquisition of grain and other agricultural-food commodities as well as the acquisition of coproduction materials and components for the current needs of industry.

This has led to a marked reduction in the average period of repayment of the contracted loans. At present this average period is about 3 years, whereas in 1975 it had been twice as long. The shortening of that period led, in turn, to the rapid accumulation of due dates of repayment. In order to adhere to these due dates, new loans often had to be contracted, often on less favorable terms (e.g., at higher interest rates), for the purpose of repaying earlier loans rather than paying for imports. In this way, current credit obligations were observed, but this only added to the future burden by increasing the scale of indebtedness and the amount of repayments due over the next few years.

Altogether, during the past decade loans totaling about \$42 billion were utilized, including about \$27 billion in the form of trade credits (for capital goods, grain and materials) and about \$15 billion in the form of financial credits (inclusive of the accrual of short-term credits). The servicing of these credits cost about \$8 billion.

At the end of 1980, medium- and long-term credit indebtedness of this country to the capitalist countries amounted to about \$23 billion (table 3); toward the end of April 1981, about \$24 billion, plus about \$1.5 billion in short-term credits. The amount of this indebtedness is due not only to the negative balance of trade but also to the cost of the credits (interest rates). This indebtedness is more than twice as high as the value of annual exports of goods and services to these countries last year; the servicing of this indebtedness (principal plus interest) cost in 1980 more than 80 percent of the total revenues from exports to these countries. About 90 percent of the loan payments falls due within the next 3 years.

In view of the great scale of the indebtedness and the current exports difficulties, continued imports from these countries are possible only on credit terms, which prevents an immediate halting of the growth of indebtedness and, more importantly, prevents an immediate switch to reducing it. Hence, it is also expected that foreign indebtedness will have to continue to increase until trade with these countries begins to register surpluses of exports over imports in amounts exceeding the interest paid on the accrued credits. This will not be possible earlier than 1986.

In 1981 we are obligated to repay nearly \$7 billion in credits or, if interest is included, nearly \$10 billion. This exceeds the level of revenues from exports of goods and services to the capitalist countries that can be attained this year. Both the entire imports of goods from these countries and part of the mandatory

repayments must be financed by borrowing new credits. Thus, the possibilities for obtaining these credits are decisive to the scale of imports and also to the state of supply of the economy.

In connection with the accumulation of payments due and the difficulty of making them on time, talks are in progress with our creditors concerning the so-called refinancing or the restructuring of a large part of our obligations, which would make it possible to spread them over a time period more favorable to our economy. Even in the event of a successful conclusion of these talks, however, the possibilities for import purchases will be limited and to a large extent will depend on the stabilization of life in this country and the development of production and exports.

70. The evolution of our trade and economic cooperation with the socialist countries has differed from our relations with the capitalist countries.

A factor of special importance in the long-range development of international economic relations in this country is Poland's participation in the community of socialist countries within the Council of Economic Mutual Assistance, carrying out a broad program of socialist economic integration.

Trade with the socialist countries produces a stabilizing effect on the Polish economy. The share of these countries in Poland's total exports as well as in its imports in 1980 was about 56 percent. The trade between Poland and the socialist countries, including our chief partner, the Soviet Union, during the 1971-1980 period is illustrated by the table below:

Subject	In billions of rubles		
	Exports	Imports	Balance
Total: Socialist countries			
Total trade	45.8	46.6	-0.8
Machinery and equipment*	25.4	20.1	+5.3
Fuels and raw materials	10.5	20.5	-10.0
Agricultural-food materials	1.7	2.3	-0.6
Manufactured consumer goods	8.2	3.7	+4.5
Soviet Union			
Total trade	24.9	25.6	-0.7
Machinery and equipment*	13.2	8.9	+4.3
Fuels and raw materials	4.6	14.5	-9.9
Agricultural-food materials	0.9	1.0	-0.1
Manufactured consumer goods	6.3	1.2	+5.1

* Including export construction

Overall trade between Poland and the socialist countries is balanced. In recent years, however, the development of that trade has been marked by a higher growth rate of imports than exports. In 1980 Poland's trade with the CEMA countries ended with a negative balance of trade amounting to about 800 million rubles, including 700 million to the USSR. This has largely been due to additional deliveries of many goods from these countries, especially from the USSR, as aid to Poland in its difficult economic situation.

In addition, Poland received from the socialist countries, and chiefly from the USSR, valuable—including nonrefundable—financial assistance in convertible currencies amounting to about \$0.5 billion. Total indebtedness to the socialist countries was about 1.5 billion rubles at the end of 1980. Recently, due to a decline in output, Poland has been slow in implementing certain mutually agreed deliveries.

In trade with the Soviet Union the structure of reciprocal deliveries is favorable to Poland. We receive much more raw materials from the USSR than we supply to it, and we balance the difference with deliveries of highly processed goods, machinery, equipment and other manufactured goods.

The deliveries of Soviet raw materials are of special importance to us in our present difficult payments situation with respect to the capitalist countries. In 1980 the Soviet Union provided more than 41 percent of all raw materials imported by Poland, including 80 percent of crude oil, 68 percent of petroleum products, 100 percent of natural gas, 78 percent of iron ore, 72 percent of potassic fertilizers and 73 percent of cotton. These imports are of great strategic importance to our economy, being virtually impossible to obtain from other sources on that scale and on such terms.

In 1981, despite the production problems in our industry, which necessitate considerable reductions in deliveries to the USSR of many goods such as hard coal, chemicals, light-industry and other products, we are obtaining from the USSR additional—in excess of the amounts specified in long-range agreements—deliveries of raw materials and consumer goods such as cotton, nitrogenous and potassic fertilizers, ammonia, synthetic rubber, tires, television sets and refrigerators.

Trade with the USSR and other socialist countries is based on prices fixed in accordance with the CEMA's principles. That is, prices in a given year represent the average of world prices over the 5 preceding years. In a situation in which world prices, especially those of crude oil and other materials, steadily increase, the prices of goods imported from the USSR are much below world prices (just as prices of goods exported by Poland to the USSR are below world prices). Independently of the advantages, consisting in a more stabilized level of prices in foreign trade, the application of such a system postpones our economy's vulnerability to the effects of a rapid rise in prices in the world economy, especially the prices of crude oil. This is all the more important since we defray the cost of the rising prices of raw materials with the aid of the low-interest (2 percent) 10-year credits obtained from the USSR.

In addition to the great role that imports from the USSR play in satisfying the demand--so important to our economy--for raw materials and fuels, the capacity of the Soviet market is so large that it enables Poland to develop production on a large scale, especially the production and exports of manufactured goods with a high degree of processing--chiefly capital goods.

Our country participates in the implementation of the concerted CEMA program of integrative measures. To obtain assured long-range supplies of fuels and other raw materials Poland cooperates, among other things, in the expansion of productive capacities for iron-bearing raw materials and in the construction of the Khmel'nitskaya Atomic Power Plant in Ust'-Ilinsk, the asbestos plant in Kiyembayevsk and gas and oil pipelines. This cooperation consists partly in implementing a specific scope of construction and installation operations and partly in delivering Polish-produced machinery and materials as well as, to a certain extent, machinery and materials imported from the capitalist countries; e.g., large-diameter pipe, which is not produced in Poland. In return for these contributions, Poland is to receive deliveries of raw materials at prices fixed in accordance with the CEMA's principles over a period of 12 to 20 years (differing for different projects).

In this connection, the USSR will provide Poland with--in addition to traditional deliveries--1 million tons of crude oil, 2.8 billion cu m of natural gas, 2.5 million tons of iron ore in terms of its iron ingredient alone, 61,800 tons of ferroalloys, 42,500 tons of asbestos and 8,000 tons of wood pulp.

Specialization of production as well as coproduction between Poland and the CEMA countries has been expanded. The share of exports implemented under the framework of production specialization and coproduction in 1980 was about 18 percent of all exports to the socialist countries, compared with 10.8 percent in 1975. This concerns chiefly construction and road machinery, power equipment (including equipment for atomic power stations), equipment for chemical and petrochemical industries, mining equipment, products of the shipbuilding and aviation industries, livestock and feed-producing machinery and agricultural machinery.

The possibilities and advantages of trade with the socialist countries, ensuing from the great scale of needs of these countries and the mutually applied long-term principles of cooperation that assure certainty of exports and import deliveries, are not, however, sufficiently exploited. By intensifying this cooperation we could utilize it better in the interest of our country's development and surmounting the present difficulties. In view of the fact that Poland, among other things, disposes of a considerable incompletely utilized industrial production capacity, a large number of industrial construction projects existing in an advanced stage of completion--but difficult to complete rapidly with our own resources--and also a substantial pool of uninstalled machinery, this country has asked the other CEMA member countries to cooperate in these fields. The issue is a subject of analyses and working sessions.

71. A fully objective assessment of the effectiveness of Polish exports in the past decade is difficult. It entails comparing outlays--calculated in domestic currency--the generation of export products with the foreign-exchange funds obtained for this purpose, given the variability in the value of these funds.

Such an analysis requires using both the domestic producer supply prices (whose level and structure in recent years have been faulty) and the conversion factors for foreign exchange as well as the variations in the value of foreign currencies, which have not always reflected in time the variations in the values of individual currencies on the world market. Hence, the results of any such cost-effectiveness analysis have to be regarded as approximate.

Such a cost-effectiveness analysis (table 7) indicates that in the first half of the 1970's the expenditures per dollar gained from exports had been decreasing with each year, whereas during the second half of the 1970's they had been somewhat increasing. However, at the end of the 1970's they still were markedly lower than at the beginning. The effectiveness of exports to the socialist countries has followed a similar trend.

Another way of determining the advantages from foreign trade is to compare the ratio of prices obtained in exports to the prices paid for imports (the so-called terms of trade). The structure of that ratio is influenced both by the level of the obtained and paid prices and by the commodity structure of exports and imports. A rise in that ratio means greater advantages from foreign trade, and conversely a decline means smaller advantages. In the past decade this ratio had been favorable to Poland during the 1971-1972 and 1975-1976 periods, neutral in 1978, and unfavorable in the other years. For the decade as a whole, this ratio in 1980 was close to its counterpart in 1970.

/C. Investments, Scientific and Technical Progress/

72. In the 1970's, especially in the first half, investment activity was broadly expanded. During the 1971-1980 period this augmented the economy with new assets totaling about 4 trillion zlotys in value, including about 400 new large industrial plants. Our economy became enriched with such facilities as five hard-coal mines, the Kozienice and Dolna Odra electric power plants, the first section of the Katowice Iron and Steel Plant, two copper mills, a low-displacement automobile plant, the nitrogen plant in Wloclawek, the Police II Chemical Plant, the Gdansk Refinery, the Elana II Artificial Fibers Plant, seven new cement plants and many other industrial plants, as well as the Northern Port and various social and transportation facilities, including express highways. However, the excessively fast rate of development of investments and their unfavorable structure have in time produced various unfavorable effects, both in the investment process itself and in the form of a general economic disequilibrium.

73. A characteristic feature of the investment situation at the threshold of the 1980's is the large number of initiated investment projects in varying stages of completion--a number that is excessive in relation to the actual possibilities for

completion. The structure of future production from the initiated investment projects is unfavorable, because often it will be impossible to utilize effectively the newly created production capacities, due to a lack of funds for importing the needed supplies or due to incomplete implementation caused by the limited participatory scope of these projects.

At the end of 1980 the outlays made on the investment projects still in progress--that is, the "immobilized" outlays--totaled 82 billion zlotys, including 60 billion on uninstalled machinery and equipment. Since 1977, the scale of immobilization of resources exceeded the overall extent of investment outlays. In 1980 immobilized funds exceeded by a factor of 1.6 the total value of investment outlays in that year.

The outlays needed to complete the already initiated investment projects (the so-called "commitment") amount to about 1.3 trillion zlotys. If allowance is also made for tasks whose implementation has not commenced but that would be needed for the full utilization of the investment projects already in progress, the commitment would amount to about 1.5 trillion zlotys. Given the investment possibilities, the completion of the initiated investment projects requires at least about 4 years, and in industry more than 5 years.

Such commitment is much higher in Poland than in the other socialist countries, in which it hovers around the level of 1 to 2 years. This is due to the unfavorable structure of investments in Poland, where the share of investment projects with a long cycle of completion is particularly high. This share exceeds 60 percent of all investment construction. The high level of commitment concerns chiefly productive investments with a high capital-intensiveness and a long payoff period.

The structure of investment commitment in industry is characterized, in particular, by:

--a high share of fuel and power industry (34 percent of all commitment in industry), electrical machine-building industry (22 percent) and metallurgical industry (18 percent)--with the concerned projects pertaining chiefly to the initial stages of industrial processing;

--an insufficient share of investments to improve the efficiency of the management of raw materials and energy;

--a low share of investments to expand output for exports and to satisfy domestic market needs, including the means of production for agriculture;

--an insufficient share of investments for developing the manufacturing of modern products and serving as sources of progress.

It is estimated that the greater part of investment commitment in this country (70 percent) consists of investment tasks that can and need to be completed in the current 5-year period. In particular, about 55 percent of total commitment

is represented by investments relating to the housing stock, the food economy and the fuel and energy needs of this country. Some of these projects already exist in a highly advanced stage of completion, and only small amounts of funds are needed to complete them.

A substantial part of the initiated investment projects cannot be implemented in the next few years due to the lack of resources. This entails substantial losses to the economy as well as outlays on mothballing the discontinued projects. In 1980 it has been decided to discontinue certain such projects. This concerns more than 1,000 enterprises, including about 50 major investment projects--among others, blast-furnace departments, steel plants, rolling mills and other facilities of the second section of the Katowice Iron and Steel Plant; steel-casting mills in Gorlice and at the Dzierzynski Iron and Steel Plant; the expansion of the Starachowice Truck Plant, the Nowiny Alumina Plant, the Przyjazn II Cement Plant in Wierzbica and the worsted spinning mill in Wroclaw, and the construction of the next segments of the E8 and E22 superhighways, as well as certain water reservoirs, etc.

In the present situation the continuation of these projects would result in a greater immobilization of funds as well as the dispersal of scarce material resources that could be more effectively utilized by concentrating investment activity on a smaller number of projects in the fields producing more rapid effects.

74. The excessive investment expansion in the past decade has been accompanied by a decrease in the effectiveness of investing due to both the subsector structure of the investment projects and the period of immobilization of outlays. As a consequence, the decline in the productivity of fixed assets in our economy has been markedly greater than might ensue from the growth in the capital intensiveness of development common in other countries. The efficiency of the investing process has also declined.

The investment completion cycle has become longer, especially in the last 5-year period. The average completion cycle of the investment projects released for use in 1980 was 35 months--8.5 months longer than in 1975. The average completion cycle of construction projects in industry grew from 39 months in 1976 to about 47 months in 1980; in municipal economy, from 31 months to 37 months; in education, from 27.8 months to 39 months and in public health, from 42.6 months to 52.5 months.

In 1980 about 61 percent of the investments in the socialized sector took a longer than normal period of time to complete (compared with about 37 percent in 1975). In some fields of the economy the completion cycle was even longer. For example, in construction investments it was about 84 percent longer; in trade investments, 70 percent; in the municipal economy, 76 percent and in education, 84 percent.

75. A disadvantageous aspect of past investment activity has been the excessive emphasis on spending on new projects, coupled with the underestimation of modernization projects.

The share of renovation-modernization investments in industry in Poland was about 20 to 25 percent of all outlays on industry, whereas in the developed capitalist

countries as well as in the GDR and the Czechoslovak SSR this share amounted to 60 to 70 percent. The consistent emphasis placed on building new facilities, often at the expense of restricting the outlays on repair and modernization, has in many cases resulted in a worsening of the operating state of facilities, especially the continuously operated facilities.

76. A major mistake in the programming, designing and implementing of investment projects has been the instances of proceeding from initially low cost estimates that were subsequently, and often significantly, raised during the implementation of particular projects. Thus, the actual estimated cost of the Ursus MFP tractor complex proved to be about 100 percent greater than originally envisaged. Similarly the cost estimate for the raw materials departments of the Katowice Iron and Steel Plant had to be raised 46 percent; for the Belchatow Mine, 49 percent and for the Polaniec Electric Power Station, 35 percent. This is due to calculation oversights as well as sometimes the deliberate submission of incomplete initial cost estimates so as to obtain easier approval of the concerned investment projects.

Much harm also has been caused by the tendency to build too many projects on too large a scale that was unjustified economically and led to high current operating costs or caused complex organizational problems in actual operation.

77. The current disproportions in the development of individual sectors of material production and in the satisfaction of the nation's needs are to a substantial extent due to the structure of the investment outlays implemented in the past decade. Compared with the preceding period, that structure was marked by a greater share of industrial investments (increased to about 41 percent from 1971 to 1980 compared with 37.8 percent in the preceding decade) and by the fact that during the years 1976-1980 investing was focused on the subsectors and branches producing capital goods, with less attention paid to developing the productive capacities of the consumer goods industry, along with explicit neglect of the development of small-scale industry. Similarly, compared with allocations for the other subsectors, the funds allotted for the expansion of technical infrastructure, especially power, transport and communications, also have been inadequate.

At the same time, the share of agriculture in investments had been reduced (from 16.5 percent of the total of investment outlays, 1961-1970, to 15.7 percent, 1971-1980), as has been the share of social consumption (from 28.3 percent, 1961-1970, to about 23 percent, 1971-1980) despite many unsatisfied needs in that sphere, especially in hospital, social and school construction.

78. The policies in the past decade toward the deployment of productive forces also have to be reappraised critically. During the 1971-1980 period more than 24,500 decisions were made in regard to the siting of investment projects. These included some 700 decisions at the central level regarding the largest investment projects, whose aggregate estimated cost was equal to more than one-half of all the local investment projects and which accounted for the employment of more than 630,000 persons or about 28 percent of the total expected increase in employment.

Contrary to the theoretically adopted premise that the siting policies should be geared to reducing the disproportions in the development of the individual regions of this country, in practice there was an excessive concentration of investments in the Katowice (more than 16 percent of all outlays) and Warsaw (about 8 percent of all outlays) urban centers.

In investment-implementation practice, due to the frequent scarcity of investment funds and resources, recommendations for environmental protection as related to site selection have often been either disregarded or followed only upon considerable delay. This has contributed to the burden of air and water pollution and the contamination of land and forest resources.

In view of the growing problems in the implementation of local investment projects after 1976, in 1978 the siting decisions made during the 1971-1977 period were reviewed; more than 1,900 of these decisions, concerning projects with an aggregate value of 220 billion zlotys, were voided. It is expedient to understand another such review and annul an additional number of such decisions.

79. Acquisitions of licenses are closely related to investment activity, especially because, in practice, production under license was introduced through the implementation of investment projects that often consisted in building new final production plants and in the attendant expansion of coproduction capacity.

In the past decade, compared with the preceding period, the acquisition and utilization of licenses for foreign products and technologies had been much more active; this became a source of the expansion and modernization of the production of various branches of industry. Altogether, 428 licenses had been purchased, including 198 for the machine-building industry, 77 for the chemical industry, 65 for the heavy and agricultural machine-building industry, 24 for construction and building materials industry, 21 for the metallurgical industry, 14 for the power industry and 10 for the mining industry. The assessments on the expediency of the acquisitions and utilization of the licenses indicate that:^a

--the greater part of the licenses acquired has contributed to reducing the difference between the technical level of domestically manufactured products and that of products deriving from the more highly technically and technologically advanced countries, although not all of the products made under license adequately satisfied modern, high standards;

--more than 80 percent of the licenses acquired have been applied, though the application often proceeded at a slow pace because only 55 percent of the applications were done on schedule; investment projects to activate production under license have quite often been carried out in the absence of a proper coordination of the periods of acquisition of licenses, deliveries of equipment and implementation of construction and installation operations;

--the acquisition of about 10 percent of the purchased licenses was--in the opinion of experts--insufficiently justified in view of the existence of at least equivalent

^a This problem was the subject of a detailed analysis conducted by 27 teams of experts appointed by the minister of science, higher education and technology. The findings of these studies are discussed in the paper "Synthesis of Analyses of Licenses Acquired During the 1971-1980 Period."

domestic solutions, the inadequate technical level or level of elaboration of the purchased solutions or, finally, the absence of demand for the particular production to be performed under license;

--about 50 percent of the licenses applied have produced the anticipated production effects, while at the same time production under license has often been accompanied by a marked increase in imports of materials or coproduction components. For about 30 percent of the licenses applied, the supply and coproduction imports exceed 20 percent, which, given the current payments situation, restricts the possibilities for developing such production. Consider, for example, the license for the Berliet bus, which by 30 June 1980 cost about \$55 million, while the investments relating to this project entailed outlays of more than 6 billion zlotys. The underdevelopment of the domestic coproduction base and the considerable share and high cost of coproduction imports for the production of that bus resulted in only 1,000 buses of this kind built in 1980, that is, only a fraction of the total envisaged when acquiring the license.

In 1980 the aggregate value of production based on active and expired licenses was 222 billion zlotys and its share in the overall value of industrial output was about 7 percent.

The insufficient economic results of the acquisitions of licenses were due to the following causes:

--the adoption of decisions to purchase licenses without due consideration of the investment and foreign-exchange resources of this country, so that licenses were acquired on an excessively broad front, which resulted in prolonging the application cycle and halting the application of 46 of the licenses;

--faulty knowledge of the existing and achievable raw-material and coproduction potential of this country when purchasing licenses, which resulted in problems in license utilization as well as in excessive supply and coproduction imports;

--the adoption, in many cases, of decisions to undertake production on a scale that was too high in relation to justified needs and possibilities, as well as, the linking of the issue of license utilization to the construction of new plants, as a rule;

--the frequently insufficient development and dissemination of the acquired license solutions; during the 1971-1980 period so-called postlicense research, intended to refine the acquired solutions further, was carried out with respect to only 29 percent of the licenses purchased; the funds allotted for this purpose accounted for barely 1.7 percent of the total cost of research and development work.

License purchases were insufficiently utilized to strengthen the international specialization of fields of production important on the world market.

80. The research and development facilities in the past decade were markedly expanded; they comprise about 1,400 research and development units. Some of these units perform tasks relatively unrelated to scientific research and hence should be transferred to other sectors of the economy.

In the sphere of science and technical progress the active full-time personnel numbers about 306,000, of whom more than 67,000 are scientific research workers, including 12,000 professors and docents. The value of research facilities installed in this country has reached about 40 billion zlotys; that is, in terms of current prices, it is more than three times as high as it had been in 1970. A large part of the research facilities is obsolete or worn out. The current supply of equipment satisfies an estimated two-thirds of the needs.

The outlays on science and technical progress in the 1970's amounted to about 300 billion zlotys. These outlays accounted for 1.9 to 2.1 percent of generated national income and thus were lower than in most other European socialist countries.

The number of inventions claimed in 1980 was about 265,000, and the number of utilized inventions, about 187,000. The number of granted domestic patents was about 5,800. The value of exports of scientific-technical achievements and technical services in 1980 was about \$140 million; that is, as much as in the preceding year. In regard to the number of patents applied for abroad, Poland is the lowest-ranking among the CEMA countries. The low effectiveness of the domestic potential is causing considerable and not always rational demand for foreign engineering thought.

81. The organization and management of science and technology have been revised during the 1970's. Among other things, the system of comprehensive financing of research and application programs rather than centers has been introduced. About one-third of the outlays for research and development purposes is assigned centrally to government programs and key and interministerial basic research, while the other two-thirds is left to the disposal of the industrial ministries.

The principles of the organization and financing of research have been generally accepted by the scientific community, but their implementation has been accompanied by distortions, especially by the allotment-directive system of management of the economy, which restricts the ability of the economy to absorb the practical application of scientific solutions.

There was also a relaxation of self-discipline and self-control among certain parts of the scientific community, which contributed to the inclusion of trivial and formalistic topics in research programs. It has been suggested that the process of the concentration of research has been, and is, too slow and sometimes is formal rather than actual. In addition, the linkage between research and development, on the one hand, and the application, on the other, has been too weak, especially in cases of investments in new technology.

/D. Employment/

82. At the end of 1980 employment in the national economy was about 17.6 million; that is, 1.4 million more than in 1970. Nonagricultural employment was 12.7 million; that is, over 2.2 million more than in 1970. Agricultural employment was about 4.9 million; i.e., 1.5 million lower than in 1970. In the 1970's the extremely large age groups of the postwar demographic high reached the age of occupational

and professional activity and found full employment. A large increase in employment took place in socialized industry and agriculture. This was accompanied by an excessive migration of youth from private farms. The current situation is characterized by employment surpluses in certain fields of the economy and shortages in others. Surplus employment exists especially in the area of investment processes and production of capital goods; that is, in construction, design bureaus and the branches of industry producing capital goods. Substantial manpower reserves exist in relatively unmechanized auxiliary occupations, intraplant transport and loading and unloading operations.

Employment surpluses also exist in administration, especially in the economic administration of enterprises and superior units. This is due to the over-extended economic administration and its organizational structures as well as to the excessive number of management positions. Altogether, the so-called administrative and clerical employment is about 1 million, while state--central and local--administration employs about 136,000 persons.

Due to the priorities that in the 1970's had benefited the more rapidly developed fields of the socialized economy, the sphere of material production accounted for about 75 percent of the increase in employment. As a result, the share of employment in the comparatively neglected sphere of public consumption remained in principle at an unchanged level. Gainful employment in the sphere of public consumption in Poland accounts for 16 percent of total gainful employment, whereas in the GDR the corresponding share is 19 percent; in the USSR, 23 percent; in Italy, 25 percent; in France, 34 percent and in Great Britain, 34 percent.

In the present situation, particularly in view of the reduction in production targets, there is a need for extensive redeployment of the work force from plants and subsectors with surplus employment to plants and subsectors experiencing work force shortages, while at the same time protecting the social interests of the crews and employees subject to such transfers.

83. Poland is among those countries with considerable resources of trained manpower with both secondary and higher education. In the 1970's about 66 percent of the persons commencing gainful employment had more than elementary education.

Employment of persons with higher education by the socialized sector in 1980 reached about 938,000; i.e., 87 percent more than in 1970. In this connection, for every 1,000 persons employed in the socialized sector in 1980, 81 had higher education, which represents a relatively high level compared with other European countries. The number of engineers and technicians has increased. In 1980 the socialized sector employed 310,000 engineers--i.e., 77 percent more than in 1970--and about 860,000 technicians--i.e., 76 percent more than in 1970.

The benefits of the increase in educated and trained manpower to the economy are, however, somewhat offset by its improper utilization. For example, positions requiring a higher educational background are occupied by some 250,000 persons lacking the proper qualifications, while about 160,000 persons with higher education are not employed in accordance with their educational level and specialization.

There are also similar disproportions on the regional scale. In urban-industrial centers there is a growing shortage of employment in occupations not requiring specialized training, along with an employment surplus of persons with secondary and higher education. At the same time in smaller towns and the less industrialized regions there is a shortage of manpower with specialized training or higher education.

The educational level of persons gainfully employed in agriculture, especially on private farms, is low. In 1978 only 12 percent of persons gainfully employed on private farms had higher than elementary educational background, while 64 percent of those under 35 years of age were elementary school graduates or dropouts. At the same time, about one-half of the total number of graduates of agricultural academies are not employed in agriculture.

84. The incompletely rational deployment of manpower in individual fields of the economy adversely affects the level of public labor productivity. In Poland this level is much lower than in many developed countries, including certain socialist countries.

During the 1971-1980 period there was a rapid increase in mechanization of labor; that is, in the value of machinery and equipment per worker. This increase has not, however, produced the expected effects in the form of an increase in labor productivity. In the past decade the value of machinery and equipment per industrial worker increased each year by an average of 8 percent. At the same time, the rise in labor productivity averaged only 5 percent—and in the years 1979 and 1980 the absolute level of public labor productivity declined.

Public labor productivity is substantially affected by the low level of utilization of labor and insufficient labor discipline. In 1980 the days of work lost in the area of material production (aside from vacation periods) were about 25 per employee. In the first quarter of 1981 alone this figure was 6 days. A factor reducing labor productivity is the greatly unsatisfactory level of the organization of labor and the recent major disturbances in smoothness of production due to severe supply problems.

In recent years there has been a persistently high turnover in the labor force. In 1980 the number of persons who changed jobs by their own decision was nearly 600,000—i.e., 5 percent of total employment—while the number of persons quitting work was about 330,000 or nearly 3 percent of total employment.

/E. Living Standards (Selected Problems)/

/1. Personal Income/

85. Nominal personal income of the population in 1980 was 1,633 billion zlotys or more than 3 times that of 1970. In per capita terms that income was 45,900 zlotys and was 2.8 times higher than in 1970.

Allowing for the increases in the prices of consumer goods and services, during the 1971-1980 period the average increase in per capita real income was an estimated 75 percent.

From the standpoint of the evolution of people's income during that decade, several distinctly different periods may be distinguished.

During the years 1971-1972 the more rapid growth of the economy was accompanied by a rapid growth in real income, both in wages and social services as well as in income from agricultural production in the nonsocialized sector. At the same time, living costs had not increased and market supply had markedly improved.

Beginning in 1973, the trend toward a rapid rise in real income of the population explicitly slowed. During 1973-1977 the relatively high growth rate of wages and social services persisted. There also was an increase in income from agricultural production, despite considerable fluctuations in individual years. However, the relatively rapid increase in nominal personal income had not been accompanied by a commensurate increase in the output and supply of consumer goods, which resulted in rises of retail prices. The personal cost of living had risen. In effect, the growth rate of real personal income during that period was much slower than the growth rate of nominal personal income; each year it decreased further.

During the 1978-1980 period the increase in nominal personal income was only slightly higher than the increase in the cost of living, which ranged from 7 to 9 percent. Such a significant rise in the cost of living was accompanied by steadily worsening market shortages. As a result, the 3.4 percent growth of real personal income as statistically calculated for that 3-year period was not tangible to the public. This was due to the impossibility of satisfying consumer demand and to the application of forced savings as a way of postponing part of the received income. Similarly, the rise in income was in no way related to labor productivity, which in recent years has been steadily declining.

86. The average nominal monthly wages in 1980 amounted to 5,786 zlotys compared with 2,235 zlotys in 1970; i.e., 143 percent higher. The rise in the cost of living during the same period was about 56.5 percent; hence the rise in average real wages during the decade was about 55 percent.*

The differentials in average wages among the individual branches of the economy decreased from 68 percent in 1970 (with highest salaries paid in science and technological development and lowest, in forestry) to 35 percent in 1980 (with highest pay in construction and lowest in trade and public health). Changes in the rank of individual fields of the economy for average wages during the 1971-1980 period were relatively small. An exception is agriculture, where in 1970 the average wage was 16 percent below the nationwide average, whereas in 1980 it was 3.0 percent higher. In 1980, as in 1970, higher than average wages were paid in the following fields of the national economy: construction, science and technological development, industry and transport and communications. The lowest wages were paid in these fields: trade, public health, forestry, education and culture and arts.

* The Main Office of Statistics is verifying the statistics on the rise in the cost of living during the 1970's, so that these figures are still subject to change.

87. The differentiation of wages by size during the years 1970 and 1980 is illustrated in the following table (in percentage of total employment by size of monthly wage in September)

<u>Monthly wages (in zlotys)</u>	<u>1970</u>	<u>1980</u>
2,000 zlotys and less	45.9%)	
2,001-3,000 zlotys	36.7 }	7.3%
3,001-4,000 zlotys	11.7	15.8
4,001-5,000 zlotys	3.5	19.4
5,001-6,000 zlotys	1.4	18.0
6,001-8,000 zlotys	0.7	23.1
8,001-10,000 zlotys	0.1	9.4
over 10,000 zlotys	0.0	7.0

The percentage of those receiving low wages has markedly diminished. If wages of not more than 2,000 zlotys monthly in 1970 are taken as low wages, then, allowing for the rise in living costs in the meantime, wages of up to 3,100 zlotys monthly would be low wage for 1980. Thus, the percentage of workers receiving the thus defined low wages was nearly 50 percent in 1970 and as low as about 10 percent by 1980.

If, correspondingly, a monthly wage of 5,000 and more zlotys is considered a high wage in 1970 and its counterpart in 1980 is considered 7,800 zlotys, then the percentage of persons receiving high wages has markedly increased from about 2 percent in 1970 to as much as 18.5 percent in 1980.

During the 1971-1980 period the relative wage differential, that is the ratio of lowest to highest wages, did not change. Given the general rise in wage levels, the financial differences have become greater. Thus, while in 1970, 10 percent of the lowest wage-earners received pay of up to 1,223 zlotys monthly and 10 percent of the highest wage-earners, upward of 3,474 zlotys, in 1980 the corresponding differential was 3,186 versus 9,179 zlotys. In both cases the wage ratio remained about the same, 1:3, but the financial differential between those two groups of wage-earners was about 2,250 zlotys in 1970, whereas in 1980 it increased to as much as about 6,000 zlotys. This imbued the public with the conviction of a substantial difference in wage levels.

The group of the higher wage-earners is socially differentiated. It includes higher level politicians and economic managers, technical and administrative management personnel, a small group of intellectuals and a high percentage of blue-collar workers. For example, blue-collar workers account for about 70 percent of the group of persons earning more than 10,000 zlotys monthly, although that group itself accounts for about 10 percent of the total employment. In general the differentiation of wages in Poland cannot be regarded as high, compared with other countries. It raises reservations from the economic and social points of view, however, about the nature of that differentiation. The nature of that differentiation, however, elicits reservations from the economic and public points of view.

88. In the 1970's favorable changes in the size of old-age pensions and annuities took place for persons reaching retirement age. Pensions and annuities from the so-called old-age portfolio also have been raised.

In 1970 the average old-age or other pension was 1,144 zlotys monthly, and in 1980, 2,681 zlotys. The real value of the average pension in 1980 was about 50 percent higher than in 1970. The increase in the average old-age pension was markedly affected by the higher amount of newly granted old-age pensions. In 1970 the average newly granted old-age pension was 1,623 zlotys monthly, whereas in 1980 it was 4,116 zlotys. In relation to the average monthly wage, a newly granted old-age pension in 1970 was 73 percent, whereas in 1980 it was 71 percent.

Due to the marked rise in living costs, especially in the second half of the 1970's, there was a considerable percentage of old-age pensioners who received benefits at a rate not surpassing the growth rate of living costs, or lagging behind that growth rate. This in reality meant a decrease in the real value of their benefits.

89. The differentiation of the income of individual public and occupational groups can be analyzed on the basis of the research into family budgets conducted by the Main Office of Statistics. The method used to conduct that research allows, however, only an approximate rather than exact analysis of income differentiation.

On the basis of the findings of that research, in 1980 the estimated differentiation in average income level (in per capita terms) among the principal socioeconomic groups of households was as follows:

Households	Per capita income in worker households = 100
Worker	100
Laborer-farmer	83
Farmer	91
Pensioner and beneficiaries	81

If in agricultural (farmer and laborer-farmer) households the outlays on production investments were regarded not as the cost of agricultural production but as an element of net income from agricultural activity, then the ratio of per capita income in laborer-farmer and farmer households to income in worker households would be 87 and 99 to 100.

The per capita income spent on consumption and nonproduction investments in farmer households is generally somewhat lower than in worker households.

The (per capita) income level differentiation is clearly greater in farmer families than in worker families and has quite significantly increased in the 1970's. A fairly high percentage of the farmer population lives in families with a relatively low income level per person, while at the same time the percentage living in farmer families with relatively high income is greater than in worker families.

In 1980 compared with 1973 (the studies of family budgets in 1970 pertained only to worker families), there were fundamental changes in the distribution of households by income group.

Assuming that in 1973 the amount of 1,250 zlotys per capita was a low income level, the percentage of persons not attaining that level was 31 percent in worker families, 53 percent in laborer-farmer families, 52 percent in farmer families and 55 percent in pensioner and beneficiary households. (The actual percentages were somewhat lower, since studies of family budget do not, as a rule, reveal all actual income.)

Thus, for instance, no allowance is made for illegal and semilegal income, whereas a relative increase in that type of income has undoubtedly taken place and has led to neither socially nor economically justifiable differences in income levels. Similarly, the existing system of salary-complementing privileges, which has been growing in recent years and which does not meet with public acceptance, has also led to a growth in income differentiation. It can thus be surmised that in reality the incomes of worker families have become further differentiated during the 1970's and that this growth in differentiation has not been comprised in official statistics.

Allowing for the change in living costs between 1973 and 1980, 2,000 zlotys or less monthly can be taken as the low per capita income level for 1980. The percentage of persons subsisting at low income has markedly decreased in comparison with 1973. In worker households, it was 16 percent; in laborer-farmer households, 30 percent; in farmer households, 33 percent and in pensioner and beneficiary households, 31 percent.

Low income is most often associated with large families among whom only a few members are wage-earners. In 1980 in worker households with income of less than 2,000 zlotys per member there were on the average three nonworking members per working member, and the average number of family members was 4.7.

90. The aforementioned statistics concerning the increase in nominal and real income represent averages. In reality, the rise in income each year does not--as opposed to the rise in living costs--extend to every household. For example, in 1980 the percentage of persons whose real income declined in comparison with 1979 (that is, persons whose nominal income did not increase or increased at a lower rate than living costs) was 45 percent for worker households, 50 percent for laborer-farmer households, 54 percent for farmer households and 69 percent for pensioner and beneficiary households.

The real income of certain families in that stage of life when family growth occurs, has in recent years declined quite significantly due to the rise in living costs (in general, an increase in income never compensates for the increase in family size; moreover the marked rise in living costs has resulted in a still greater decline in real income). A serious burden on the budget of newly married couples beginning an independent life is the downpayment and subsequent installment payments related to the acquisition of a dwelling unit of their own.

The socially tangible level of real income certainly lies below the statistical estimates, in view of the understandable rise in social aspirations that took place during the 1970's. An additional factor that reduces the tangible level of real income, and is not considered in statistical calculations, is the disorganization of the consumer market, the absence of goods and the growing length of time needed for shopping, as well as transportation problems, power outages, etc.

91. An important social problem is eliminating the manifestations of poverty, which may be regarded as tantamount to assuring for all citizens a living standard not below the so-called "social minimum." This concerns providing the possibilities for the satisfaction of all the needs that, in the present stage of the nation's social and economic development, are to be regarded as necessary--on a scale and at a level assuring an efficient functioning of the individual in society.

This problem has recently been worked on by the appropriate elements of the central administration; special attention in this connection is being paid to the needs of the social groups with the lowest income levels per family member. Preliminary analyses indicate that a fairly large group of families still live at the subsistence level. These are chiefly large families with many children, with a low level of general education and occupational skill of the head of the family, as well as families of old people. It is estimated that the number of families with a low income level has decreased in the 1970's, but the situation in which they exist remains a major social problem, particularly as they include a relatively large number of children and young people.

/2. Market Supply]

92. The present market situation is that of a deep imbalance between consumer demand and the available supply of goods and services. The shortage of goods is largely due to the investment policies of the 1970's, which greatly contributed to the wage rises in the branches of industry producing capital goods and servicing the investment process without at the same time assuring a proportional increase in the output of consumer goods.

The disturbances in market equilibrium gradually grew from 1974 to 1977 and became markedly intensified during the 1978-1979 period. In the second half of 1980 the market underwent a far-reaching collapse, which was compounded in 1981.

93. While the purchasing power of consumers had tripled during the past decade, the supply of goods and services (calculated in fixed prices) had about doubled. Thus, for every percentage of increase in personal income there was only a 0.45 percent increase in the supply of goods and services. This caused, beginning in 1974, the growth of inflationary tendencies. That process markedly accelerated at the end of 1980, when the substantial raises in wages and social services, resulting from the signing of national and branch agreements, became effective. At the same time there was a sharp decline in material production and market supply.

In the fourth quarter of 1980 the decline in market supply was 1.6 percent, while personal income increased 12 percent. In the first quarter of this year the supply of consumer goods increased barely 0.5 percent, while personal income increased by as much as 18 percent.

The considerable worsening of the market situation at the end of 1980 and in 1981 has been due not only to the aforementioned proportions between personal income and market supply but also by the widespread hoarding of food products as well as of certain manufactured goods, characteristic when there is no continuous market supply.

94. The shortages currently felt on the market pertain to nearly all kinds of goods but they are keenest with foodstuffs.

Given the existing price level, the shortfall of meat and processed meat products in 1980 was estimated at 25 percent of the demand; butter, 14 percent; margarine, 21 percent; lard and bacon, 21 percent; fish and fish products, 10 percent; ripening cheeses, 20 percent; milk, 5 percent; sugar, 18 percent; chocolate and chocolate products, 26 percent; candies, 17 percent; baked confectionery, 9 percent and potato meal, 50 percent. In the first quarter of this year the situation grew much worse, so that it was considered necessary to introduce the rationing of certain staple goods. The rationing is being gradually expanded and, as more experience is gained, partially modified.

In 1981, shortages of manufactured consumer goods also are rapidly spreading in scope.

95. A major factor in the present market situation is the highly faulty level and structure of retail prices. The level and relations of the retail prices of many consumer goods are divorced from their production costs. At the same time, these prices, apart from a few exceptions, do not fulfill the function of balancing supply with demand.

In particular, the retail prices of food in many cases do not cover the cost of its procurement and processing. Thus, for instance, the price of hogs on hoof averages 86 zlotys per kg (with allowance for the price rise mandatory as of April 1981), which in terms of pork amounts to about 110 zlotys per kg. Yet the mean actual mandatory retail price of pork is set at about 55 zlotys per kg. The price of cattle on hoof averages 72 zlotys per kg, which in terms of beef is 136 zlotys per kg, yet the mean retail price for beef is about 40 zlotys per kg.

The mean milk procurement price in 1980 was 6.57 zlotys per liter or at present, following a raise, 14 zlotys per liter, whereas the mandatory price per liter is 2.90 zlotys for bottled milk and 4.00 zlotys for milk in cartons. Even when allowance is made for the difference in fat content, this clearly points to an unrealistic retail price level.

In such a situation, and chiefly in view of the increases in procurement prices, the production of foodstuffs requires high and steadily growing budget subsidies

to offset the negative difference between production cost and retail price. These subsidies increased from 19 billion zlotys in 1971 to 166 billion in 1980, and this year--due to further increases in procurement prices--these parity payments will increase by an estimated 145 billion zlotys.

The incorrect evolution of the ratio between procurement prices of products of agricultural origin and the retail prices of foodstuffs is causing a rapid and irrational process of supplanting homegrown production on farms with purchases of agricultural products from the trade network. That is, we are witnessing a process of the denaturalization of consumption on farms.

The maintenance of unchanged prices of staple foodstuffs over many years despite the concurrent marked increases in the prices of many manufactured goods and services due to, among other things, decisions made at lower levels--in view of the decentralization of price-fixing competences--has led to a marked worsening of the already faulty price structure.

The existing structure of retail prices is such that they cannot influence the structure of consumption in an effective manner desirable from the social and economic points of view.

96. In the presence of the disequilibrium due to the more rapid growth of personal income than that of the supply of goods and services, there has arisen the phenomenon of unsatisfied demand, reflected in the compulsory putting aside of part of income and in the growth of personal monetary reserves. The increase in these reserves has been such that the cash resources of the population have been growing at a faster rate than savings in bank accounts.

The cash funds of the population at the end of 1980 reached 266 billion zlotys, and at the end of April 1981, 274 billion zlotys. The relatively low increase in personal cash funds during the first few months of this year is due to the concurrent prepayments made by persons who signed up for purchases of passenger cars. The increase in personal cash funds in 1980 accounted for 3.6 percent of the entire annual personal monetary income, and it was twice as high as in the preceding years. On the other hand, deposits of cash in bank savings accounts have been declining. The increase in bank deposits accounted for only 2.3 percent of total personal income, whereas at its peak in 1971 that share reached 6.3 percent.

The level of bank deposits at the of 1980 was about 500 billion zlotys, and at the end of April 1981, about 587 billion zlotys, including about one-half in deposits payable on demand.

/3. Housing Construction, Housing and Communal Economy/

97. The housing situation of a large part of the nation is difficult. The scale of that difficulty is determined by the disproportion between the actual capabilities of housing construction and the number of applicants for dwelling units.

The number of members and candidate members of cooperatives who have made full down payments and are awaiting the allocation of cooperative dwellings is nearly 1.6 million, with an additional 250,000 persons making installment payments on their deposits. Moreover, about 90,000 persons are awaiting the allocation of dwellings by local agencies of state administration. The average waiting period for a cooperative dwelling in this country is 7 years, and in many regions it exceeds 10 years. This situation is chiefly due to the fact that for many years the scale of housing construction lagged behind the increase in the number of new families.

The scale of housing demand is augmented by the need to replace worn and dilapidated housing stock. The long-range program drafted during the 1970's provided for demolishing 2.3 million dwellings during the 1971-1990 period, including 430,000 during the 1971-1980 period. Actual demolitions during that period amounted to about 350,000 dwellings. Since the present economic situation is more difficult, the number of demolitions during the 1980's will have to be limited to an estimated 500,000-600,000 dwellings.

In the 1970's major advances were made in housing construction. During that period, more than 2.4 million new dwellings were released for occupancy, compared with 1.7 million during the 1961-1970 decade. By the end of 1980, housing released for occupancy during the years 1971-1980 accounted for nearly 32 percent of the total urban housing stock. The average floor space per new dwelling, which amounted in 1960 to about 57 sq m and in 1970 to about 54 sq m, increased in 1980 to more than 64 sq m; the average number of dwellers per room decreased from 1.37 in 1970 to 1.11 in 1980. Housing amenity standards also have improved.

Nevertheless, the progress of housing construction has been insufficient in comparison with the unsatisfied needs, especially those of the age groups of the demographic peak. After the number of new dwellings reached its maximum of 284,000 in 1978, the scale of housing construction decreased. In 1979 about 278,000 new dwellings were released for occupancy, and in 1980, only 217,000.

The reason for this decline was the growing problems in the performance of housing construction, especially in the larger urban centers; the growing shortage of developed land; the lag in preparing new land for the construction of new communities and the shortages of building materials, especially for housing amenities.

During the past decade declarations of the priority of housing construction often were made. In practice, however, no such priority was accorded; that was chiefly due to the existence of an excessive number of parallel priorities in the economy.

In recent years there also arose problems in the implementation of private housing construction, both for the nonagricultural and for the agricultural population. These problems were due to substantial cost increases and shortages of building materials on the market, both of basic building materials and installation and finishing materials. Likewise, the regulations governing loans for private housing construction ceased to apply to the changed situation.

The restriction of the scale of housing construction was also due to cost increases ensuing not only from official price changes but also from the actual nature of that construction, based chiefly on the application of costly and material-intensive large-panel technology, the considerable share of high-rise construction, and the siting of new housing complexes on peripheral, undeveloped land.

The social benefits of housing construction were offset by the delays in expanding social and quality-of-life infrastructure in newly built communities, especially during the last 5-year period. In particular, these delays have been occurring in the construction and opening of stores, service pavilions, gastronomic establishments, public health outposts, educational institutions and others. This is markedly complicating the living conditions of the residents of new communities.

98. For a long time the disproportion between housing standards in old and new residential buildings has been increasing. Irrespective of the differences in housing amenities and availability of utility lines and other facilities, this is also due to the deteriorating condition of the older buildings, both those administered by units of local agencies of state administration and those privately owned.

In the past decade about 260,000 older dwellings have been repaired and renovated. The current demand in this field is estimated at 500,000 dwellings undergoing gradual depreciation.

Major flaws have characterized the policy of housing rents. The rents for cooperative and state-owned billeting and enterprise-operated housing became markedly differentiated. In 1980 the mean monthly rent for a billeted dwelling was about 8 zlotys per sq m, whereas the rent paid by a cooperative-dwelling tenant for housing of similar standard was about 15 zlotys per sq m. This has been and remains a subject of justified public criticism.

Low housing rentals have resulted in excessively low revenues of state housing stock that, in turn, led to substantial subsidies by the state. In the 1971-1980 period these amounted to about 80 billion zlotys.

99. In the 1970's there was a considerable growth of demand for municipal services, as a consequence of the expansion of industry and housing construction. At the end of 1980, from the total of 804 cities and towns, 733 have been equipped with water supply systems and 678, with sewerage systems.

About 40 percent of communal water mains in this country, and 60 percent of the water mains in the larger urban centers had been built more than 60 years ago. There are no communal water mains for 12.5 percent of the urban population (2.6 million persons) and no sewerage systems for 21.5 percent of the urban population (4.5 million persons). In 1980 periodic water shortages occurred in as many as 45 provinces. The average national shortfall of water has been 788,000 cu m. The greatest shortages occurred in the Katowice, Poznan, Gdansk, Bydgoszcz and Szczecin provinces, as well as in the city of Wroclaw.

In the 1970's heated cubic space in buildings increased by 87 percent. However, this has not been followed by a proportional expansion of heat-generating plants, so that in certain cities there are shortages of heating for dwelling units. The shortage of heating capacity is about 7 percent of the actual demand, with the greatest shortages occurring in the Warsaw urban area as well as in Wroclaw, Lodz, Krakow, Torun, Bydgoszcz, Gdansk and Lublin.

The number of cities and towns with municipal rapid transit facilities has increased by 25 percent in the past 10 years. The number of passengers increased during that period from 4.7 billion to 7.4 billion; i.e., by 57 percent. But transportation conditions have been steadily worsening due to the inadequate quantities of transportation equipment in cities (an average 574,000 passengers per trolley annually, whereas abroad this indicator amounts to 80,000-200,000 passengers per trolley), poor technical condition of the transportation fleet and inadequate supplies of spare parts and operating components, as well as the inadequate equipping of service and maintenance facilities.

In the larger cities and urban centers the existing municipal rapid transit systems are becoming increasingly incapable, and the need to develop new higher-capacity rapid transit systems is gradually growing.

/4. Public Health (Problems of Material Base)/

100. Although free medical care has been extended to nearly the entire population, and despite the marked increase in the numbers of public health personnel and facilities, the public health situation in this country is difficult. There is a persistent shortage of hospital beds; access to outpatient treatment, especially specialist treatment, is difficult.

A large part of the material facilities of public health service is obsolete and worn out. The average age of buildings in general, clinical and psychiatric hospitals exceeds 60 years. Only 23 percent of beds in general and in clinical hospitals is in facilities built after 1944.

The number of hospital vacancies per 10,000 inhabitants is insufficient. In this respect Poland lags behind all other European CEMA countries. There exists a particularly difficult situation with psychiatric, gynecological and pediatric medicine.

Since 1977 the supply of drugs and sanitary articles for public health service and the general population has been deteriorating. This especially concerns antibiotics, circulatory- and respiratory-system drugs and vitamins. This situation is due to delays in developing the pharmaceutical industry and to insufficient funds allotted for research into drugs and their production technology.

Health service also is experiencing acute shortages of medical apparatus and equipment, especially of the basic kind. Less than 50 percent of current demand for health service in this respect is satisfied.

In the past decade the number of physicians has markedly increased, but their geographical distribution throughout this country is extremely nonuniform. The differences in the number of physicians per 10,000 inhabitants in the individual provinces range from 1 to 5. This is a major reason for the differences in the level of medical care for the population in individual regions of this country.

101. The state of social services, especially services for the elderly is unsatisfactory. In particular, the number of vacancies in social care homes is insufficient. The number of applicants for these vacancies has grown from 9,000 in 1970 to about 16,000 in 1980.

102. An unusually acute social problem is the spread of alcoholism. Given the average annual per capita consumption of alcohol of about 8.5 liters, the share of the consumption of high-proof alcohol is unusually high. Each day an estimated 3 million persons exceed the threshold of sobriety, and the number of alcoholics is 600,000-700,000. Combatting this social plague requires, among other things, the development of counseling centers for alcoholics and addiction treatment centers.

/5. Environmental Protection/

103. Health problems are related to problems of environmental protection. The intensive development of industry, urban expansion and the chemical development of agriculture accomplished during the last decade were not accompanied by adequate environmental protection measures and have thus led to environmental deterioration in certain regions of this country.

The pollution of surface waters is growing. The share of pure waters (class 1) has diminished from about 25 percent of the length of rivers in 1970 to about 10 percent in 1977, while the share of the most polluted waters (class 3 and substandard waters) has increased to about 57 percent from about 46 percent.

The increase in the quantities of industrial and municipal wastes requiring purification has proceeded at a rate outstripping the construction of waste treatment plants. During 1971-1980 a total of 1,101 waste treatment plants with an aggregate daily treatment capacity of 5.7 million cu m were built. Of the existing total capacity of waste treatment plants in 1980, plants built in the past decade account for approximately 59 percent. Due to considerable backlog, however, about 62 percent of the industrial plants releasing considerable quantities of liquid wastes into surface waters still virtually lack waste treatment facilities. Of the 804 cities and towns, only 357 operate municipal waste treatment plants; only about 56 percent of these are equipped with facilities of the mechanical-biological type. Since 1976 the share of treated liquid wastes in the total of the discharged liquid wastes has not increased, remaining 57 percent.

The water pollution and relatively low water resources of this country account for water supply problems. This is compounded by inefficient water management, especially in industry, and by considerable water losses in the municipal economy. The situation is further aggravated by the low availability of water resources due to insufficient retention of surface waters. Storage reservoirs can store

about 3 billion cu m of water, which is barely 5 percent of the mean annual discharge of rivers. In the neighboring countries this indicator exceeds 10 percent. This is accompanied by underutilization of the possibilities for building smaller storage reservoirs for smaller retention needs.

The degree of air contamination by industrial dust particles is slowly and gradually decreasing. On the other hand, the area included in excessive pollution of air by gases, especially by sulfur dioxide, has been increasing--from 3.5 percent in 1973 (the year when systematic observations and analyses were commenced) to about 10 percent in 1979.

The problem of preventing soil erosion has not been adequately solved. Areas menaced by erosion account for about 11 percent of cropland; i.e., more than 2 million hectares. In the 1971-1980 period anti-erosion measures were extended to less than 1 percent of the total area of lands subject to erosion. During the same period there was an increase in the area of degraded soils requiring reclamation--from 72,000 hectares in 1971 to 109,000 hectares in 1980.

There should be a proper place for environmental protection improvements in the socioeconomic policy of the 1980's.

/6. Education and Upbringing (Problems of the Material Base)/

104. In terms of education and upbringing, a gradual reform of the school system has been undertaken. The reform includes, in particular, the development of preschool education, universal extension to 6-year-old children, the successive introduction of new curricula in elementary schools and the development of consolidated gmina schools based on the premise that they should assure an equalization of the level and conditions of instruction of rural and urban children.

In connection with the implementation of these plans and in view of the increase in the number of children of preschool and elementary school ages, 1,118 preschools, 1,163 elementary schools and 83 gmina schools were built in the 1970's. Nevertheless, the infrastructure of the educational system remains inadequate, chiefly in the new urban communities and in the countryside. There is an estimated shortage of about 500 preschools (64,000 vacancies) and 260 elementary schools in the communities. Due to the lack of vacancies in 1980 it was not possible to admit to preschool 120,000 children from families in which both parents were working. The existing preschools are crowded: on the national scale for every 100 available preschool vacancies, 124 children have actually been admitted. A further increase in the shortage of vacancies is to be expected, because the growth rate of preschool vacancies, as financed by investments and other means, is lagging behind the increase in the numbers of preschool-age children.

The lack of an adequate number of school buildings in cities necessitates teaching in two or three shifts, in excessively crowded classrooms, and it also necessitates assigning children from new housing communities to distant schools in downtown areas. For many children, including those in the lowest grades, instruction begins in the afternoon and ends in the late evening.

The construction of new gmina schools proceeds at an excessively slow pace. The actual needs require building 250 new gmina schools and expanding 300 existing schools, whereas in 1979 only 22 such new or expanded consolidated gmina schools were released for use and in 1980, only 14.

The problems of the organization and financing of the busing of pupils to the consolidated schools still are incompletely solved, as are the principles of the operation of school canteens entrusted to the care of parent committees.

There is a serious shortage of school aids, especially of textbooks and lecture books, as well as sets of teaching aids for elementary education.

/7. Culture and Arts (Problems of the Material Base)/

105. In the field of culture and arts, irrespective of the development of many fields of creativity and the accomplishments in providing universal access to cultural achievements, in the past decade the progress in many domains has been unsatisfactory, or there has even been periodic regression.

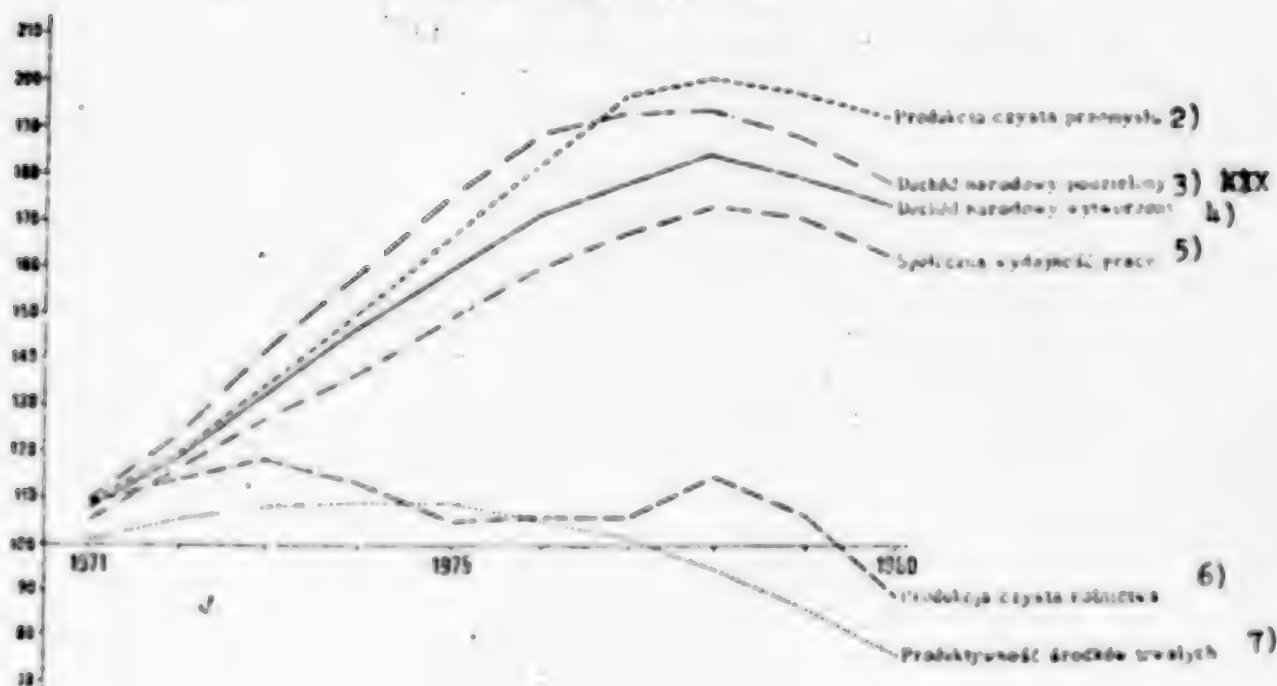
Since 1976 the number of books and brochures published per capita has been decreasing: in 1980 this indicator was 4.2 even though as far back as 1950 it had been as high as 4.8. Since 1974 the circulation of newspapers and periodicals decreased by more than 6 percent per capita. There is an acute shortage of records and cassettes. Investments in the printing and recording industries proceed at a sluggish pace.

The material base of cultural activities has not significantly changed for years. A major achievement of the 1970's is the reconstruction of the Royal Castle in Warsaw and the progress in building new facilities for the National Library. In the 1970's the number of orchestras and houses of culture increased markedly, but the number of libraries, cinemas, reading rooms and clubs diminished significantly. Cultural facilities in new housing communities have not been sufficiently developed. Many of these communities lack libraries, which, given the current decline in publishing activities, additionally complicates access to books. In 17 provinces there are no community cultural centers at all, and in 13 other provinces there exist only a few such centers. The network of rural cultural facilities also is insufficient.

Another factor complicating access to cultural services is the economic-financial system of cultural institutions, which base their settlements of accounts on chiefly financial results. This often restricts the scale of their activities on culturally and creatively important sectors.

DYNAMIKA PODSTAWOWYCH WIELKOŚCI EKONOMICZNYCH W LATACH 1971-1980

1) 1970 = 100 (ceny stałe)

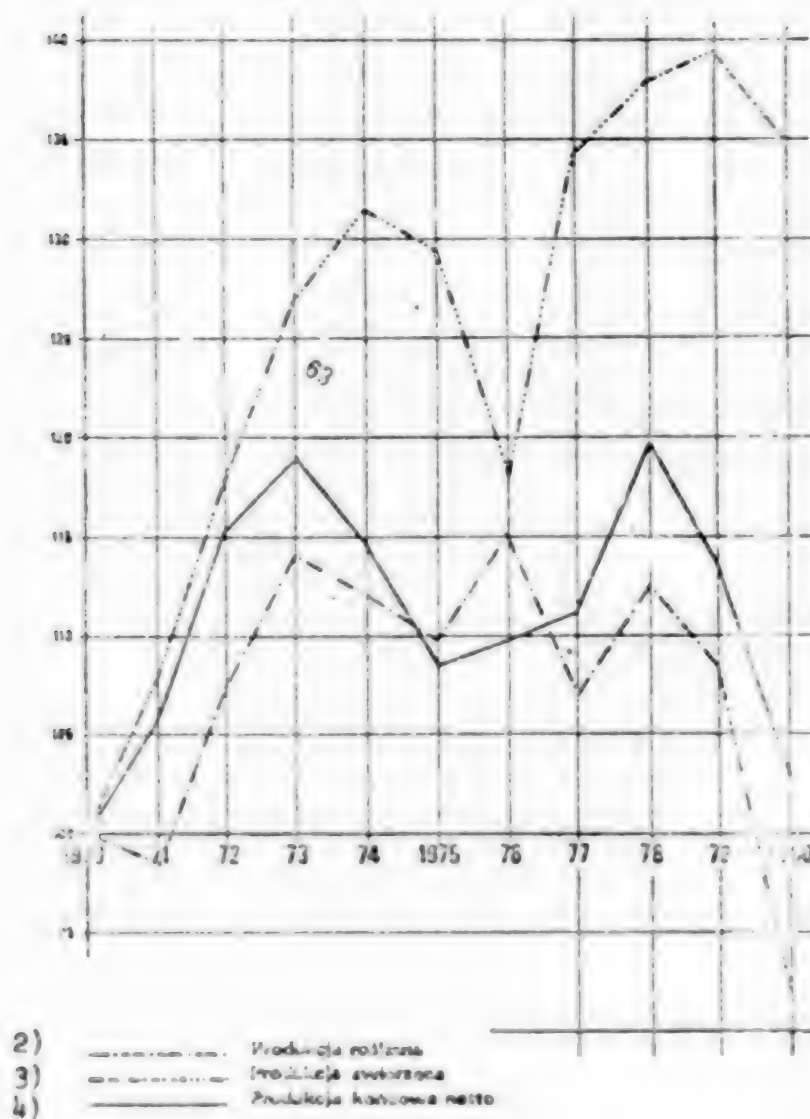


Key:

1. Trends of Basic Economic Indicators During the 1971-1980 Period;
1970 = 100 (in fixed prices)
2. Industrial net output
3. Distributed national income
4. Generated national income
5. Public labor productivity
6. Net output of agriculture
7. Productivity of fixed assets

1) KSZTAŁTOWANIE SIĘ PRODUKCJI ROLNICZEJ
W LATACH 1970-1980

(wartość produkcji w cenach stałych) 1970r. = 100 %



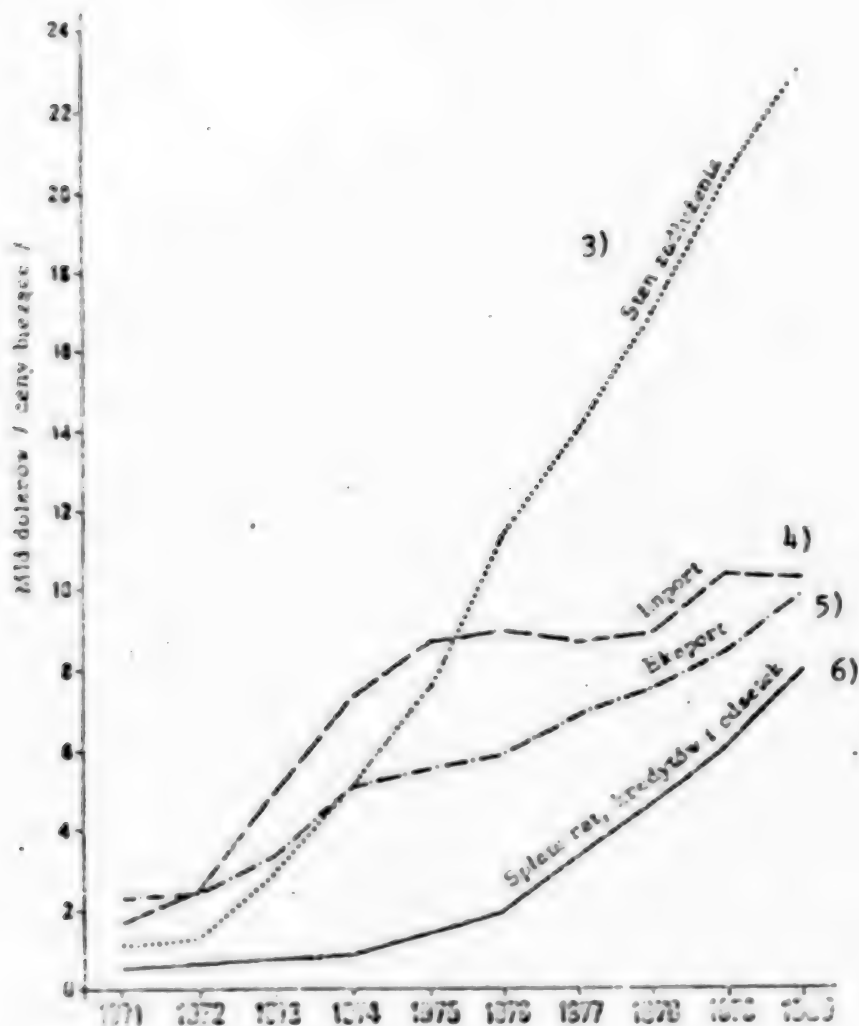
Key:

1. Evolution of Agricultural Production During the Years 1971-1980
(Value of production in fixed prices) 1970 = 100
2. Crop production
3. Animal production
4. Final net production

ROZWINIĘCIE GOSPODARSTWA I INFLACJI W ZWIĄZKU
ZAGROŻENIEM W STOSUNKACH Z KRAJAMI
KAPITALISTYCZNYMI

1)

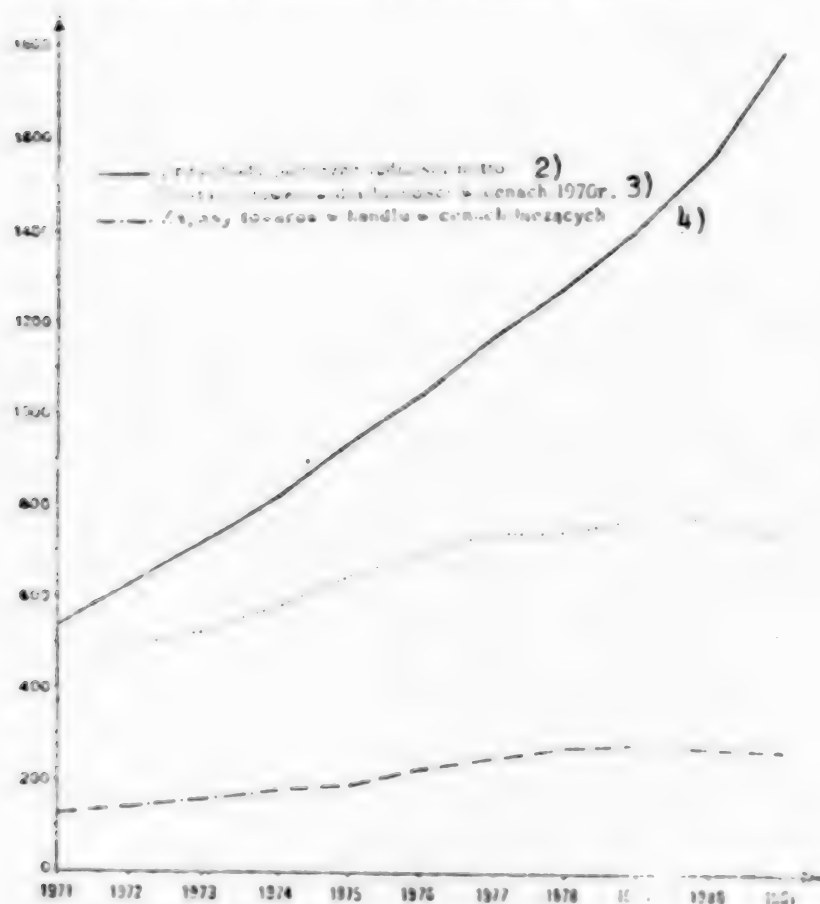
2)



Key:

1. Development of Trade With and Increase in Indebtedness to the Capitalist Countries
2. In billions of \$ (current prices)
3. State of indebtedness
4. Imports
5. Exports
6. Payment of principal and interest

1) WZROST PIENIĘŻNYCH PRZYCHODÓW
LUDNOŚCI NETTO I DOSTAW TOVARÓW



Key:

1. Increase in Net Personal Income and in Consumer Goods Supply
2. Net personal income
3. Consumer goods supply, in 1970 prices
4. Stocks of consumer goods in the apparatus of trade, in current prices

Table 1. Basic Indices of Economic Development During the 1971-1980 Period

(1) Podstawowe wskaźniki rozwoju gospodarczego w latach 1971-1980

		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
		(2) przystosowywane w cenach stałych = 100% w stosunku do roku poprzedniego									
(3)	Produkt narodowy wytworzony	8.1	12.6	10.8	10.4	9.9	6.5	5.0	3.0	-2.3	-5.4
(4)	Produkt narodowy podziałowy	9.7	12.7	14.3	12.1	10.9	7.0	2.7	0.7	-3.4	-5.9
(5)	Produkt wytworzony w przemyśle	8.8	10.2	11.0	11.3	11.6	6.3	6.3	3.6	1.9	-1.2
(6)	Produkt wytworzony w rolnictwie	3.6	8.4	7.3	1.5	-2.1	-1.1	1.9	4.3	-1.5	-10.7
(7)	Eksport	6.2	13.3	11.6	12.3	8.3	4.4	2.0	5.7	0.8	-4.2
(8)	Import	14.6	20.8	22.5	14.9	4.4	9.6	-0.1	1.5	-0.5	-1.7
(9)	Ekspozytura gospodarcza										
(10)	Produkt wytworzony na 1 zł środków trwałych ^{a)}	1.6	3.3	3.0	3.0	-1.1	-2.6	-4.3	-5.6	-9.6	-11
(11)	Produkt wytworzony na 1 zł wynagrodzenia ^{b)}	6.9	8.6	9.0	8.2	5.3	7.7	5.0	3.3	-1.5	-4
(12)	Tężejść w przemyśle ^{c)}	4.9	4.8	5.9	7.1	9.4	10.6	9.7	9.3	8.9	8
(13)	Różnica między wzrostem wytworzonego produktu a wzrostem wydatków na inwestycje	+2.0	+4.0	+3.1	+1.1	-1.1	-2.9	-4.7	-6.2	-10.4	-12
(14)	Struktura podziału dochodu narodowego w %										
(15)	Ogółem	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(16)	- konsumpcja	72.3	70.4	67.0	64.4	64.8	67.9	68.1	69.2	73.6	70.8
(17)	- akumulacja	27.5	29.6	33.0	35.6	35.2	32.1	31.9	30.8	26.2	29.2

a) wartość dochodu narodowego wytworzonego na 1 zł wartości środków trwałych produkcyjnych

b) wartość dochodu narodowego na jednego zatrudnionego w przemyśle produkcyjnym

c) wartość produkcyjnych środków trwałych na 1 zatrudnionego

Key:

- | | |
|---|--|
| 1. Basic Indices of Economic Development During the 1971-1980 Period | 12. Technical development of labor ^b [equipment available per worker] |
| 2. Increments in Fixed Prices in Percent Compared With Preceding Year | 13. Difference between increase in productivity and cost of technical development [equipment available per worker] |
| 3. Generated national income | 14. Structure of the division of national income, in % |
| 4. Distributed national income | 15. Total |
| 5. Sold products of industry | 16. Consumption |
| 6. Total output of agriculture | 17. [Capital] accumulation |
| 7. Exports | |
| 8. Imports | |
| 9. Management efficiency | |
| 10. Productivity of fixed assets | |
| 11. Public labor productivity ^a | |

a. Value of generated national income per zloty of productive fixed assets

b. National income per employee in the sphere of material production

c. Value of productive fixed assets per employee

Table 2. Principal Indices of Economic Development During the Period July 1980 to April 1981

(1)	Principal Indices of Economic Development During the Period July 1980 to April 1981										
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Table 3. Extraction, Exports and Supplies of Hard Coal and Briquets
in millions of tons

Subject	1979	1980	1980 1979 = 100
Input			
1. From domestic sources, total	202.6	194.7	96.1
Of which:			
Coal extraction	201.0	193.1	96.1
Production of briquets	1.6	1.6	97.6
2. From other sources ^a	1.0	3.4	340.0
Total input	203.6	198.1	97.3
Output			
1. To supply the country, total	160.9	167.1	103.9
Of which:			
For industrial consumers	127.0	130.5	102.8
In which:			
For electric power generation	44.0	47.2	107.3
For production of coke in coking plants	25.4	25.3	99.6
For other industries	57.6	58.0	100.7
2. Ministry of Transportation	3.8	3.7	97.4
3. Other users	0.9	1.0	111.1
4. For private consumers	29.2	31.9	109.2
Of which:			
CZSR "Peasant Self-Help" Cooperatives	22.8	24.9	109.2
5. Exports	41.4	31.0	74.9
Of which			
To zone I of payments	14.7	10.9	73.7
To zone II of payments	27.7	20.1	75.6
Total output	203.6	198.0	97.3
6. Reserve supplies at year end, total	9.6	7.1	74.0

a) From supplies, coking-coal imports, etc.

Table 4. Crop Production, Consumption of Mineral Fertilizers and Plant Pesticides

	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Crop production in billions of zlotys (1976/1977 prices)	315.7	346.3	363.4	337.4	355.6	342.3	290.4
Mineral fertilizers, kg NPK per hectare of cropland	123.6	181.9	193.3	189.0	190.3	188.9	192.9
Productivity of agriculture in grain units per hectare ^a	25.5	29.4	31.2	29.0	30.8	28.6	24.2
Consumption of pesticides in terms of surface active substance per hectare of cropland, kg	0.39	0.58	0.53	0.68	0.51	0.50	0.49

a) Standard unit used in computing agricultural production and corresponding to the protein and starch value of 100 kg of grain

Table 5. Grain and Feed Imports

	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Grain imports (in thousands of tons)	2,504	3,967	6,092	5,741	7,320	7,250	7,718
Of which: from the capitalist countries	1,348	2,829	5,701	4,650	6,740	6,575	7,278
Imports of high-protein feeds (in thousands of tons)	439	1,087	1,128	1,161	1,231	1,444	1,445
Total value of imports of grain and feeds (in millions of foreign-exchange zlotys (c.i.f))	824	2,526	3,596	3,227	3,680	4,295	5,456

Table 6. Indebtedness and Ratios of Foreign Trade

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Indebtedness at year end to zone II payments [capitalist countries] in long- and medium-term credits, billions of \$	1.2	1.5	2.8	4.8	7.6	11.2	14.3	16.9	20.5	23.0
Annual increment in indebtedness, billions of \$	--	0.3	1.3	2.0	2.8	3.6	3.1	2.6	3.8	2.5
Revenues from exports of goods and services to Zone II	2.3	2.6	3.4	5.1	5.7	6.1	6.8	7.4	8.4	9.9
Repayment of principal and interest, billions of \$	0.4	0.4	0.5	1.0	1.5	2.1	3.1	4.5	6.3	8.1
Ratio of repayment of principal and interest to exports of goods and services, %	12.4	15.4	14.7	19.6	26.3	34.4	45.6	60.8	75.0	81.8
Outlays on imports of goods and services from Zone II	2.0	2.7	4.8	7.2	8.7	8.9	8.6	8.9	10.3	10.3
Balance of trade and service, billions of \$	+0.3	-0.1	-1.4	-2.1	-3.0	-2.8	-1.8	-1.5	-1.9	-0.4

Table 7. Cost of Earning One United States Dollar in Exports to the Capitalist Countries During the 1971-1980 Period, by Groups of Branches

(1) Each percentage of dollars is calculated on the basis of the average 1971-1980 period

(2) Branches		1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
(3)	Wzrost przem. chemicznego i kopalni, przem. chemicznego	-3,50	-3,53	-2,93	38,8-	37,34	-3,49	-0,34	-2,27	-2,34	-2,43
(4)	Przem. energia	13,30	38,17	34,53	29,26	24,62	22,24	22,38	20,26	27,50	28,23
(5)	Wzrost metalurgiczny	52,40	52,25	34,53	24,90	24,53	-2,09	-3,08	-2,71	32,22	29,83
(6)	Wzrost przem. chemicznego	56,40	56,57	25,48	23,24	25,23	37,95	38,32	38,94	32,43	29,23
(7)	Wzrost przem. spozywczy i rolnictwa	52,00	53,73	42,26	42,82	43,82	47,14	34,78	50,97	49,73	43,39
(8)	Wzrost przem. tekstylnego	73,20	56,24	33,78	48,47	50,46	54,79	55,77	54,49	49,73	46,73
(9)	Przem. wzrost	-9,2-	53,65	42,26	34,29	34,86	42,43	-0,57	39,30	36,93	36,73
(10)	Ogolem export	54,00	50,73	41,50	31,87	31,21	38,8-	-0,27	28,94	35,93	34,32

Key:

1. Cost of Earning One United States Dollar in Exports to the Capitalist Countries During the 1971-1980 Period, by Group of Branches
2. Subject
3. Products of electrical machine-building industry, with complete sets of industrial installations
4. Fuels and energy
5. Metallurgical products
6. Products of chemical industry
7. Products of food industry and agriculture
8. Light-industry products
9. Other products
10. Total exports

Table 8. Immobilization and Commitment of Funds in Uncompleted Investment Projects

(1) Znaczenie i charakterystyka inwestycji i przedsięwzięć						
	(2) Wydatki inwestycyjne w cenach 1.1.1977 r. 1971-1980		(3) Wydatki na rozpoczęcie i wykonanie inwestycji, w tym na wybudowanie obiektów, w tym na wybudowanie obiektów, w tym na wybudowanie obiektów		(4) Wydatki na rozpoczęcie i wykonanie inwestycji, w tym na wybudowanie obiektów, w tym na wybudowanie obiektów, w tym na wybudowanie obiektów	
	(5) w mld zł	(6) w %	(5) w mld zł	(6) w %	(5) w mld zł	(6) w %
(7) Ogółem gospodarka społeczna	4834,1	100,0	831,2	100,0	1792,7	100,0
(8) Przemysł	2178,9	45,0	428,0	51,4	667,4	37,2
(9) z tego:						
(10) Przemysł paliwowo-energetyczny	512,5	10,4	109,7	13,2	223,9	12,5
(11) Przemysł metalurgiczny	312,3	6,4	65,4	8,0	119,1	6,6
(12) Przemysł maszynowy	523,4	10,8	92,3	11,2	150,9	8,4
(13) Przemysł chemiczny	240,5	5,0	69,0	8,4	55,8	3,1
(14) Przemysł mineralny	132,7	2,7	31,2	3,8	35,3	2,0
(15) Przemysł drzewno-papierniczy	96,7	2,0	32,3	3,9	13,4	0,7
(16) Przemysł lekki	172,4	3,5	9,7	1,2	19,2	1,1
(17) Przemysł spożywczy	215,0	4,5	24,9	3,0	40,6	2,3
(18) Budownictwo	261,5	5,4	24,8	3,0	29,8	1,6
(19) Rolnictwo	590,8	12,2	32,3	3,9	36,9	2,1
(20) Leśnictwo	22,1	0,5	1,5	0,1	1,9	0,1
(21) Transport i łączność	319,0	6,6	50,0	6,0	91,6	5,1
(22) Handel	121,7	2,5	12,7	1,5	20,7	1,2
(23) Gospodarka komunalna	200,1	4,1	61,1	7,3	51,9	2,9
(24) Gospodarka mieszkaniowa i usługi społeczne	598,5	12,4	116,2	14,0	203,5	11,3
(25) Nauka i technologia	31,7	0,7	4,5	0,5	10,4	0,6
(26) Ochrona i wydobycie	16,8	0,3	1,6	0,2	2,9	0,2
(27) Kultura i sztuka	14,3	0,3	3,8	0,5	4,4	0,3
(28) Ochrona zdrowia i opieka społeczna	61,7	1,3	18,2	2,2	41,9	2,3
(29) Kultura fizyczna, turystyka i wypoczynek	66,2	1,4	14,1	1,7	15,8	0,9

Key:

1. Immobilization and Commitment of Funds in Uncompleted Investment Projects
2. Investment outlays in prices of 1 January 1977: 1971-1980 period
3. Outlays on initiated but uncompleted investments as of 31 December 1980 (immobilized funds)
4. Outlays needed to complete initiated projects as of 31 December 1980 (commitment)
5. In billions of zlotys
6. In percent
7. Total, socialized sector
8. Industry
9. Of which
10. Fuel and power industry
11. Metallurgical industry
12. Electrical machine-building industry
13. Chemical industry
14. Mineral industry
15. Wood and paper industry
16. Light industry
17. Food industry
18. Construction
19. Agriculture
20. Forestry
21. Transport and communications
22. Trade
23. Municipal economy
24. Housing economy and non-material municipal services
25. Science and technological development
26. Education
27. Culture and arts
28. Public health and welfare
29. Physical culture, tourism and recreation

Table 9. Principal Indicators Illustrating the Evolution of the Market Balance
(current prices in billions of zlotys)

(1) Podstawowe wskaźniki ilustrujące
kwalifikację i rozwój gospodarki
(Lecy 1. kwartał 1981 r.)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	(2) = 1/2 II pory	(3) = 1/4 I kw.
1	2	3	4	5	6	7	8	9	10	11	12	13	14
(4) Sprzedaż towarów dla ludności	395	429	482	544	623	713	813	920	1000	1102	1207	650	309
(5) Sprzedaż usług	70	75	82	92	104	119	134	150	162	175	192	94	45
(6) Razem	465	504	564	636	729	832	947	1070	1162	1277	1399	724	357
(7) Dynamika — % (rok poprzedni = 100)	*	108,4	111,9	112,5	114,6	114,1	113,8	113,0	108,5	110,0	109,5	104,0	111,2
(8) Przychody pieniężne — netto — ogółem	489	543	626	717	824	933	1040	1169	1271	1397	1533	797	447
(9) Dynamika — % (rok poprzedni = 100)	*	111,0	115,3	114,5	117,9	113,2	111,9	112,4	108,7	109,9	109,8	109,6	119,4
(10) Zakończono planowanie ludności — ogółem w mld zł	171	198	236	300	370	437	486	535	600	671	766	760	643
(11) w tym: — wkłady oszczęd- nościowe	117	137	170	213	264	301	339	376	419	464	500	500	502
(12) — gotówka	54	61	66	87	106	126	147	159	181	211	266	266	201

Key:

1. Principal Indicators Illustrating the Evolution of the Market Balance
(current prices in billions of zlotys)
2. Of which: second half
3. First quarter of 1981
4. Sales of consumer goods
5. Sales of services
6. Total
7. Growth rate, in % (preceding year = 100)
8. Net personal income, total
9. Growth rate, in % (preceding year = 100)
10. Personal monetary reserves, total, in billions of zlotys
11. Of which: savings deposits
12. Cash

Table 10. Primary Amounts Concerning the Production and Distribution of Meats and Fats

(A) Podstawowe wielkości dotyczące produkcji i kręta kón zagonoszarowania miésa i tłuszców

	1979	1980	1980
	(B)	W tys. ton	(1979 = 100)
1. Produkcja zywca tórnego w przeliczeniu na miéso miésozabójcze-póslabój w wadzie postslabój	3 264,5	3 148,1	96,4
2. Eksport zywca zwiéztaj w przeliczeniu na miéso miésozabójcze-póslabój w wadzie postslabój, eksport miésa, przetworów miésonych tłuszcza i produktów (w wadzie ochłodzonej)	278,3	248,7	89,4
2.1. w tym do krajów kapitalistycznych	258,9	244,8	94,6
3. Import miésa, przetworów miésonych i tłuszczy	9,1	60,3	662,6
4. Miéso miésozabójcze-póslabój i tłuszcze przeznaczona do konsumpcji	2 996,2	2 912,8	101,6
4.1. Miéso, przetwory i produkty w tym: z dostaw państwowych	2 574,4	2 633,6	102,3
z dostaw państwowych (w tym: z zapasów państwowych)	2 171,9	2 220,7	102,3
4.2. Tłuszcze	421,9	413,9	102,5
5. Spożycie miésa, tłuszczy i produktów na mieszkalnictwo w kg	231,8	208,2	98,8
5.1. w tym: z dostaw państwowych	73,0	74,0	101,4
z dostaw państwowych (w tym: z zapasów państwowych)	61,6	62,4	101,3
z dostaw państwowych (w tym: z zapasów państwowych)	11,4	11,6	101,7

* 1980 (w przeliczeniu na mieszkalnictwo) zagonoszarowania miésa i tłuszczy zagonoszarowania miésa i tłuszczy zagonoszarowania miésa i tłuszczy

Key:

- A. Primary Amounts Concerning the Production and Distribution of Meat and Fats
- B. In thousands of tons
1. Production of slaughter livestock in terms of meat-fat-variety meat bulk at postslaughter weight
2. Exports of livestock-on-hoof in terms of meat-fat bulk at postslaughter weight, exports of meat and processed meat, fat and variety-meat products (at refrigerated weight)
 - 2.1. Of which: to capitalist countries
3. Imports of meat and processed meat and fat products
4. Bulk of meat, variety meats and fats destined for consumption
 - Of which:
 - 4.1. Meat, processed meats and variety meats
 - In which: from state stocks
 - consumer self-supply (on-farm slaughter)
 - 4.2. Fats
5. Per capita consumption of meat, poultry and variety meats, kg
 - Of which: from state supplies^a
 - from consumer self-supply (on-farm slaughter)
 - a. Through retail trade and gastronomic establishments, plus supply of preschools, nurseries, hospitals, etc.

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